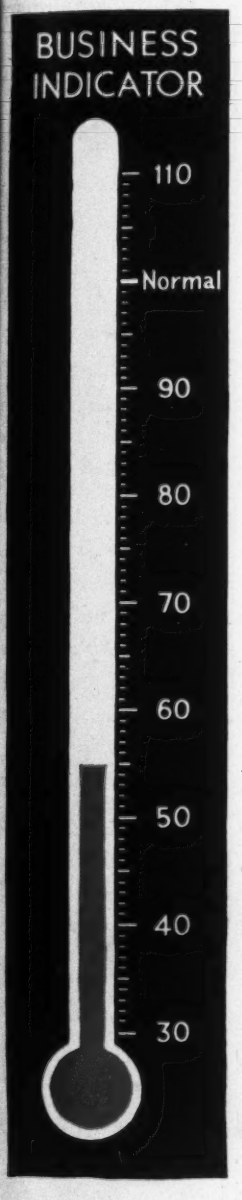
APR 11 1932

APRIL 13, 1932

# THE BUSINESS WEEK




The second quarter began by establishing new lows in basic business indicators, security markets, and commodity price levels . . . . The automobile sales drive has not yet been reflected in expansion in steel production or electric power output, while unseasonally declining merchandise carloadings and bank debits indicate further recession in retail trade . . . . Building construction seems to be stabilizing at bare subsistence levels . . . . Budget balancing has not proven as much of a blessing as was anticipated, and some of the taxes employed for the purpose have stimulated sabotage and short-selling in security markets . . . . Extension of federal credit relief into the mortgage field and widespread forced sales of farm land show the spread of deflation . . . . Bank credit contraction continues despite increased liquidity . . . . Reconstruction Corporation activity has reduced bank suspensions and individual hoarding but increased bank hoarding . . . . Federal Reserve pressure for credit expansion is still inoperative, and its powers under the Glass-Steagall bill are still unused . . . . Unless an effective inflationary movement can be initiated, some form of standstill on domestic debts seems inevitable . . . . Cooperative efforts to prevent breakdown in Eastern Europe are hopeful, but are complicated by the inconspicuous and disguised extension of moratoria on external payments by Germany . . . . Improvement in Britain under a modified gold standard persists in spite of speculative pressure to raise sterling.

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# This Business Week:

## Washington

Neatly between Senator Glass's proposals for stern, strict regulation of banking and the horrified protests of the bankers comes the Federal Reserve, favoring a unified banking system, and banking law reform that isn't too drastic. Their criticisms thus met, bankers must now go along or admit they don't want reform anyway. *(p. 7)*

Unabashed by Secretary Mills' cries of "Socialism!" the Senate seems set on its program of soaking the corporate and individual rich. *(p. 5)*

## Foreign

All is not well along the beautiful blue Danube, has not been since Versailles so rudely chopped Central Europe into unrelated pieces. In London, top-hatted politicians are again trying to fit these pieces together, are learning that economic forces are greater than political fences. *(p. 8)*

General recognition of Germany's situation lessens in some degree the shock to business of the transfer moratorium now easily seen to be inevitable. *(p. 9)*

Cabled reports see industry abroad showing signs of recovery, with finance—until now cheerful without cause—turning pessimistic. *(Survey —p. 32)*

## Motors

While the new Fords (what few display models there were) were still warm from the oven, General Motors responded with price cuts, Chrysler with promises of quick delivery on the Plymouth, the whole industry with accelerated selling. *(p. 10)*

## Marketing

Woolworth's experiment with a 20¢ top price will probably be extended to all its stores. Competitors are relieved that the new limit will not be used as a springboard to introduce higher-priced goods. *(p. 11)*

Regular drug stores have their chain and cut-price stores; now come the "pineys" (pine-board shelves) to plague the chains and cut-rates with even lower cuts. *(p. 11)*

Macy's is dramatizing the purchasing power of the dollar in store-wide display. *(p. 10)* Many New York stores are extending their hours to catch the homeward-bound workers. *(p. 12)* Two more small chains are merging with big ones. *(p. 11)* That new mesh hosiery is keeping the machine-workers as well as the men-about-town busy. *(p. 12)*

## Labor

In the coal industry, strikes and shutdowns pending wage agreements seriously threaten production. *(p. 14)*

In the building trades, New York, Boston, and St. Louis are the only large cities with even the pretense of union scale wages. Boston and New York are slipping; Long Island is now frankly open shop at a 33% cut. *(p. 14)*

In Portland, Ore., pledges for work ranging from 50¢ repair jobs to construction projects running into 6 figures will provide job relief. *(p. 14)*

## Cement

Weakened by its own bad habits, the cement industry fell easy prey to the plague of depression. The only cure seems to be a drastic reorganization to balance production with markets. *(p. 16)*

## Finance

Although dividends are fewer, there are more stockholders now than in '29. One reason: "involuntary investors" who figure it's better to hold and to hope than be sold out. *(p. 18)* Those hopefully climbing bond prices had the ladder kicked out from under them by the tax threats. Although this means more money for tax exempts (and thus for public works) it means business will have to pay big for the big investor's dollar. *(p. 24)*

Instalment selling is holding its own. Totals are lower, of course, reflecting lower sales of instalment merchandise. But people are making their payments, finance companies are using the cash to redeem their securities at profitable prices. *(p. 24)*

## Transport

Bus operators don't mind federal rule, but they fear federal rulings and requirements. *(p. 21)*

Presidential pleas to coordinate federal shipping activities may be good economy but they are poor politics. Congress will never listen to the abolishment of the Shipping Board while the subsidies are being handed out. *(p. 22)*

Railroads are trying to get back some of the famer's business lost to the trucks. *(p. 21)* Air lines continue to gain passenger and express traffic. *(p. 22)*

There's a rail-truck problem in the old country, too. British roads, however, favor the German solution which stops disastrous competition by the simple method of crippling the competitor. *(p. 28)*

## Building

What has happened to that industry which was expected, a year ago, to lift us out of the deep depression? Here are the sad facts about the building business. *(p. 27)*

## Figures

Statistics of trade, finance, and production offer little encouragement, explain the drop of *The Business Week's* index to a new low. *(p. 36)*

## SPRING'S HARVEST

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# THE BUSINESS WEEK

*The Journal of Business News and Interpretation*

News of the week ending April 9, 1932


# Mills Hasn't Scared Senate Enough to Change Taxes Much

## Temper of critics indicates finished bill will be no more to Treasury's liking than it is now

SECRETARY MILLS' threats that the tax levies of the House bill would "drive out of productive channels the working capital of the nation," that they would start us on a toboggan slide "the bottom of which nobody knows," frightened members of the Senate Finance Committee just a little last Wednesday. The fright was increased a bit by the slump of the stock market (page 38).

But this does not mean that Mr. Mills' warning will be heeded—nor that of President Hoover.

Prospects, on the contrary, are that when the tax measure finally emerges it will be no more satisfactory to the Treasury Department than it is now. That is, if the attitude of senators as expressed just after the Mills diatribe is not changed by protests from back home, or by further doses of fright.

The burden of Mr. Mills' attack is that the bill tends toward socialism. It puts such a penalty on the conduct of private business that it tends to dry up private enterprise and force government ownership and operation of everything. If that is really the purpose of Congress, the Secretary insisted, it would be much more sensible to set up a corporation, government-owned but quasi-public in nature, and do the job in an orderly way.

### Approaching "Taxation Chaos"

But it is not only the federal taxes which give him concern. We are rapidly approaching, he said, "taxation chaos." Before another year, Congress may be studying the combination of federal and local taxes, now tending to "crucify the unfortunate taxpayer."

Right after the British went off the gold standard, Mills told the committee, the United States faced a credit crisis which necessitated the Reconstruction Finance Corporation and the Glass-Steagall bill. Further federal aid to business might be necessitated by such a tax policy as the House proposed, especially if the budget were not balanced.

The first open opposition to the Secretary appeared when Sen. Reed Smoot, chairman, and a pillar of conservatism, objected to the Secretary's criticisms of the 1½% additional tax for joint returns of affiliates.

Mr. Smoot pointed out that a chain store system could run one store at a loss to kill off a competitor, and deduct the losses of that store from the profits of the others. The 1½% provision, he pointed out, was a check against such a practice, as well as an offset to the government against cuts in its revenue from corporation taxes by such deductions.

So many senators hold this view that it seems likely the Senate will retain this particular impost.

The Secretary also made a strong case against double taxation on dividends. The change, he said, was particularly hard on small corporations, as contrasted with partnerships.

But senators have been whetting their knives for some of these "small corporations" ever since the oil lease investigations, when they were amazed to find how Sinclair and other rich men managed to avoid the high brackets of income taxes by multiplying personal corporations. So the Mills argument on this point fell on rather eager ears—eager to do just what he didn't want.

### No Tears for Dividends

There is not much sympathy for the man getting dividends anyway. Senators are at one with many House members in insisting that the government can only get the money where the money is.

Senator Connelly, of Texas, and several other members of the committee insisted that they favored retention of the 13½% corporation earnings tax.

Sentiment for retaining the double tax on dividends is not quite so strong,

### *What to Watch*

**These figures will be first to reflect the effects of the administration's war on depression. Encouraging changes are marked with a ★ (see page 6 for details)**

| *Indicators* | *1932* | *% Change in a Week* | *% Change in a Month* |
|---|---|---|---|
| ***These should be earliest to show progress:*** | | | |
| Money in Circulation | Apr. 6 | +0.4 | —1.6★ |
| 90 Stocks (Standard Statistics) | Apr. 7 | —11.5 | —26.6 |
| 40 Bonds (Dow Jones) | Apr. 7 | —4.2 | —7.8 |
| Brokers' Loans | Apr. 6 | —1.7 | —6.5 |
| Member Bank Borrowings from Federal Reserve (Bills Discounted) | Apr. 6 | +0.3 | —15.1★ |
| Federal Reserve Open Market Policy (Holdings of Government Securities and Acceptances) | Apr. 6 | +0.5★ | +2.2★ |
| Bank Suspensions — Number | Mar. 31e | +28.6 | —18.2★ |
| U. S. Gold Stock | Apr. 6 | +0.2★ | +0.8★ |
| Member Bank Reserves | Apr. 6 | +1.6★ | +1.7★ |
| ***These signs should follow promptly:*** | | | |
| Total Loans and Investments of Weekly Reporting Member Banks | Mar. 30 | —0.3 | —0.9 |
| Fisher's Wholesale Price Index | Apr. 1e | —0.3 | 0★ |
| The Business Week Index | Apr. 2e | —3.2 | —5.2 |
| Employment — Manufacturing (89 industries) | February | ..... | +1.2★ |

e—Week Ending

*The Business Week*

though it would take a rash predicter to say it would be eliminated.

Mills' protest against high surtaxes and high inheritance taxes caused the committee to request that he furnish a table showing a comparison between the proposed levies and those now in effect in England. Mr. Mills has made these comparisons several times in speeches. Fighting to make the country realize the necessity of balancing the budget, he insisted the feat would not impose as great a burden on our people as the British are bearing. Now his own figures are to be used against him.

### A Senator's-Eye View

The attitude in the Senate towards Mr. Mills is curious and interesting. He is viewed with great respect, both as to ability and integrity. He is regarded as an able exponent of entrenched wealth. Many senators are not a bit alarmed at the idea of breaking up the big fortunes of the country. They think Mills exaggerates the danger to private industry and initiative, as well as to the big fortunes. Moreover, his warnings are weakened by past performances, when he sat at the right hand of Mellon and either by mistakes or deceptions forced a situation where the debt was reduced much faster than Congress intended. And by his more recent miscalculations in the opposite direction.

Couzens, in his dual role as a multimillionaire and a radical, has his fortune mostly in tax-exempt securities. He thinks Mills exaggerates the danger of driving capital into tax exempts. Lots of the new ones are not so safe, anyhow, he points out. And people are not going to sacrifice stocks at present prices.

There are a very few senators who agree with the main burden of Mills' argument. And it may be that a still further tobogganing of the stock market will make the Senate realize that its tax program is frightening business.

## Critical Indicators Show Bank Improvement Lags

"WHAT TO WATCH" indicators show some hesitation in the steady process of improvement in the banking situation during recent weeks.

Although bank suspensions remain at fairly low levels, currency in circulation for the week ended April 6 revealed a rather sharp unseasonal increase.

This reflects an increase in currency demand largely outside New York, because borrowings of member banks from the New York Reserve Bank declined while they rose for other Reserve Banks. The larger demand for currency was met partly out of further gold imports and increased borrowings from the Reserve Banks.

Open-market purchases of securities by the Reserve Banks helped meet the increased call for currency and brought about further expansion in the reserves of member banks.

Despite the increase in currency in circulation, the other changes in the banking position made for further liquidity. But since loans and investments are still declining, the increased liquidity of the member banks means that other banks must be becoming less liquid. As loans are called or investments sold by the member banks, deposits of other banks must be drawn down, so that the total amount of credit in use continues to contract. A rise in total member bank deposits for the week ended Mar. 30 may be a forerunner of reversal in the contraction of loans and investments, unless currency demand continues to rise. This is the first such increase since last September. It may be due to quarter-end window dressing, however, and partly to transfer of funds from government to individual deposits.

## Friction Over Rail Loans Likely to Last

CONTROVERSY as to whether the Reconstruction Finance Corp. should take up railroad bank loans probably will continue indefinitely.

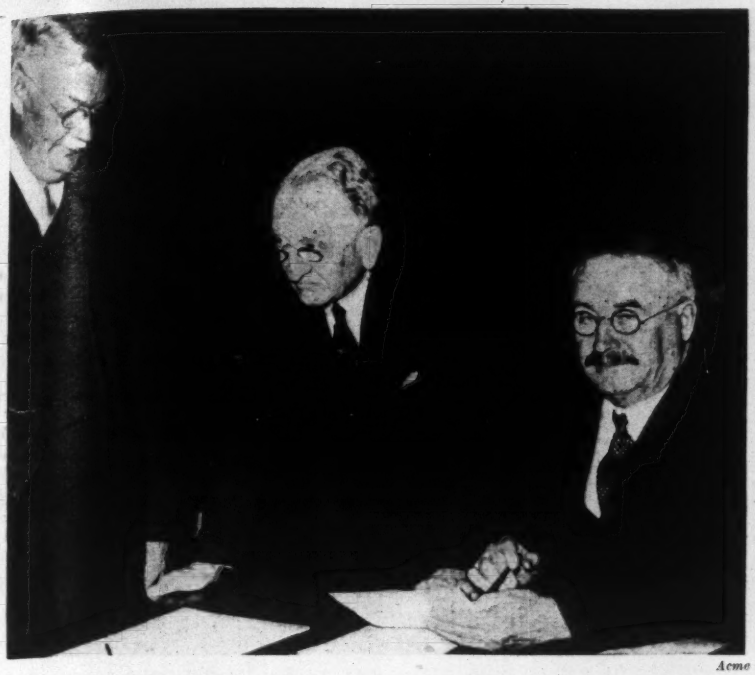
Washington reports there is little chance for enactment of Couzens' reviewed proposal to take the railroad loan-making functions out of the hands of the Finance Corp. and give to the Interstate Commerce Commission full administration of a revolving loan fund of $400 millions, restricted to payment of maturing bonds, debentures and equipment notes.

Separate administration of railroad financial aid was urged by Senator Couzens when the law creating the Finance Corp. was framed. He succeeded at that time in pushing through the requirement that all railroad loans from the corporation should have I.C.C. approval.

The I.C.C.'s action in yielding to the Finance Corp. in the Missouri Pacific case cannot be construed as a retreat, for on the Baltimore & Ohio's request for advances to meet bank loans the Commission has deferred action pending "further negotiations on the part of the

*Underwood & Underwood*

NOT POSING—WORKING—*Charles R. Crisp (Ga.), acting chairman, and Edward E. Eslick (Tenn.), right, sit in night session of the House Ways and Means Committee, hammering out the tax bill, are caught unawares*



Acme

"NIGHT SCHOOL" RECITATION—*Sen. John G. Townsend, Jr., (Del.), Sen. Carter Glass (Va.) chairman, center, and Sen. Peter Norbeck (S. D.), left to right, hear witnesses on the Glass bill to reform banking. Bankers, Sen. Glass asserted, learned their testimony at a "night school," parrot-like*

applicant looking towards additional private financing."

Publication by the Finance Corp. of its first quarterly report shows loans of $60,787,757 to 16 roads. Report of the Credit Corp. indicates freight surcharges for January, the first month of collection, were about $4 millions.

# Federal Reserve Officially Asks For Unified Banking System

FOR the first time, the attitude of the Federal Reserve Board toward current banking problems has been set forth officially.

Hearings on the Glass bill furnished the occasion. The board expresses its sympathies for the general purposes of the bill, thinks it ought to pass—with some amendments. Then it proceeds to offer a series of proposals which practically rewrite the whole measure.

Bankers find themselves in an awkward corner. They testified at the hearings, denouncing the bill vigorously. Eugene Meyer, speaking for the board, offers constructive suggestions to improve the Glass bill, meet some of the bankers' criticism. Now the bankers must go along, or be smoked out into admission that probably nobody could write a bill for banking reform that bankers would like.

In general, the Reserve Board wants important banking law reforms, but would avoid some of Senator Glass's drastic notions.

First and foremost, the board wants a unified banking system. "It should be recognized that effective supervision of banking in this country has been seriously hampered by the competition between member and non-member banks, and that the establishment of a unified system of banking under national supervision is essential to fundamental banking reform." Second, the board set its face against the provisions that would have forced further deflation.

Next in importance, though its implications are not easily explained to the layman, the board officially advocates a new system of bank reserves as recommended by the Federal Reserve Committee on Reserves. The proposed system would call for varying percentages of reserves, according to volume of business—thus acting as a governor to brake booms, speed up recoveries (*BW—Dec9'31*).

The board asks some additional power for itself, but not to the extent of the autocracy contemplated by the Glass bill. In several sections it would provide less rigidity of law than Senator Glass. It opposes some provisions, as lowering the standards of investments. It would be a little less severe on both group banking systems and security affiliates than the Glass committee, but somewhat more stringent than present laws.

Only on the question of branch banking does it remain non-committal.

## Guaranteed Mortgages In Reconstruction Line-up

NEGOTIATIONS for the broad protection of guaranteed mortgages by the Reconstruction Finance Corp. got into the papers this week. A reconstruction loan to the Prudence Co., New York guarantee house, may be a significant step in this direction.

Such protection, if applied to the whole field, will cover between $2 billions and $2.5 billions of guaranteed mortgages outstanding. Most of the business is done by some 5 or 6 houses and has been limited largely to New York City property. Guaranteed mortgages are largely held by banks and insurance companies.

The decline in revenue from real property and the chaotic state of the realty market have sharply pinched the guaranteeing institutions. Many, if not all, their contracts allow them 18 months from default in which to pay. In some cases, this clause has been invoked. But it is not popular with investors, and the guaranteeing concerns are loath to use it, just as banks do not like to invoke the privilege of freezing savings deposits for the legal period.

The extent to which reconstruction loans can be used for publicity purposes was interestingly shown in the first public announcement of a guarantee mortgage company in this connection:

"In order to increase its facilities for supplying funds to its clients in need of refinancing conservative mortgages, as well as to preserve the high public regard for the safety of guaranteed first mortgage investments, the Prudence Co., Inc., has obtained the cooperation of the United States government through the Reconstruction Finance Corp."

# Economics and Politics Clash In the Rivalry on the Danube

## The crisis, inevitable since Versailles, epitomizes the whole European problem

EUROPEAN NEWS BUREAU—No development in Europe is potentially more important to business than the conferences in London to consider the economic future of the states in the Danube valley in Central Europe.

Dispassionate economists have expected the present situation to develop ever since the potpourri of small states was set up by Versailles entirely on a nationalistic basis with small thought of their ability to exist economically. So long as the world in general was prospering, and loans were plentifully available from France, Britain, and the United States, this part of the world was able to carry on. The depression, the general fall in prices, particularly for farm products, and the drying up of practically every source of credit started their disintegration. Financially, it would be all but completed now but for the efforts of the League of Nations, the loans from France to Rumania, Yugoslavia, and Czechoslovakia, and the moratoria which have been declared.

Austria, Hungary, Rumania, Yugoslavia, and Czechoslovakia are immediately involved. Bulgaria and Greece will be significantly affected by any results—favorable or unfavorable. Germany is the major market for Austria and Czechoslovakia. Austria and Hungary buy almost equal amounts from Rumania. Yugoslavia's largest export markets are Italy and Austria.

### Too Much Nationalism

In the years since the war, each of these countries has had an excess of nationalistic aspirations. Only Czechoslovakia was from the first fairly well balanced between agricultural and industrial interests. Austria was an economic monstrosity. One-third of its total population was in Vienna. Vienna's business facilities, particularly its banks, were geared to the business of an empire of nearly 50 millions. Versailles left Austria barely 6½ millions. Vienna itself was industrialized but cut off from its main sources of raw materials.

Recent months have brought the crisis to a head. Hungary has been forced to declare a moratorium on at least a part of her foreign obligations. Austria has managed to scrape together enough to deposit service charges through July with the Bank for International Settlements. Yugoslavia has declared a partial moratorium. Even Czechoslovakia, which has been relatively prosperous until recently, has had to call on France for a $24-million loan within the month.

Like Germany, these Central European states are suffering from trade restriction. While the depression has been decreasing the volume of all foreign trade, each has been suffering from tariff barriers raised to protect small hothouse industries hastily started in an effort to make each less dependent on other countries and on its own agriculture. Recently exchange restrictions have become so rigid as to reduce the volume of business to a negligible figure. Britain has imposed a tariff. France has adopted import quotas. Germany has cut imports to the bone in her attempt to maintain a sufficient balance of trade to meet her foreign obligations.

Economic schemes to rehabilitate this postwar jumble of states have come to be a perennial affair. In 1930, there was the "agrarian bloc" agitation with conferences in Bucharest, Belgrade, and Warsaw. It seemed, then, as though the agrarian states could get together and pool their competitive agrarian interests into a more powerful and profitable whole. Machinery for collaboration efforts was instituted, still exists, but has never functioned effectively.

In 1931, there was the Austro-German attempt at *Anschluss* which was eventually quashed by France. For a time, it also promised political and economic integration of at least a part of the Danubian countries with Germany as the king-pin.

And now, in 1932, we have Tardieu's proposal. Originally it included only Britain and France and the Danube states. But Czechoslovakia and Hungary refused to shut out Germany, their important customer. Austria showed only languid interest until Germany was admitted. And Britain staunchly refused to talk business until it was agreed that Germany and Italy be included.

The London discussions aimed at a common policy toward these countries

International News

NAZIS IN NEW YORK—*These solemn young Hitlerites, all dressed up in their new brown shirts and storm boots, guard the Nazi headquarters in New York, established to arouse Hitler sentiment among resident Germans*

of interior Europe. In the meantime, they were expected to get together in an attempt to formulate (1) a policy of preferential trade among themselves, and (2) a common policy toward third parties. But the political rivalries which have so far blocked commonsense economic policies on the Danube are today as strong as ever. And over all is the rivalry of the major powers themselves, dominated by French policy to keep Germany weak.

**New Austria-Hungary**

It is proposed now to reconfederate these countries into an economic revival of the old Austro-Hungarian empire. Certainly a system of trade preferences between them would be a help, but if confined to the Danubian countries only, it would not be enough. They raise between them 4½ million tons of grains, can absorb between them only 2 million tons. They now cannot find third-party markets for the other 2½ millions, more than half of their production. Any plan for their confederation must include wider market outlets. The 2 most natural markets are Italy and Germany.

Economic logic points to a central European bloc stretching from Sicily to the Baltic which, if ever realized, would divide Europe into 4 longitudinal sections: (1) the British Isles, (2) the West-European Atlantic states, (3) the Central European belt, and (4) Russia in Europe.

The problem now is to reconcile this seemingly inevitable economic entity with the political structure of Europe, dominated now by France and her ring of Eastern satellites.

If the logical economic formation is longitudinal, the existing formation shaped by France is latitudinal.

**Economics vs. Politics**

Economic forces are working at right angles to the political. Their reconciliation (complicated by local racial and geographic hostilities) seems insuperable. Either politics must triumph over economics (and give way to an artificial and arbitrary order of things) or economics must triumph over politics which means that Germany, and not France, will become the master of Europe (until other combinations such as France-Britain or Italy-France form against, and eventually challenge, German hegemony).

In this latest proposal from Tardieu, 2 courses are open to France. Germany and Italy are predominantly commercial. France dominates finance. In the bidding for the Balkans, France may try to keep the whip hand with generous loans. Possibly this will give her control, but it will only be artificial. To pour more money into these countries without changing the conditions of their economic life is futile. They are overborrowed already.

A second choice open to France is to get the League of Nations to back the international conference idea, to frown on preferential practices in the meantime if such practices are obviously of a character to secure selfish advantage prejudicial to joint action later.

It is obvious that Britain's main interest in the rehabilitation of Central Europe is to get back frozen or even lost assets as soon and as fully as possible.

Germany has both economic and political interests. Berlin wants to keep the way free for the *Anschluss* and also for economic expansion, the old idea of *Drang nach dem Ostem*.

Italy's main interest is to bother France as much as possible and to continue to play with the formation of a "revisionist bloc" including Hungary, Bulgaria, and eventually Austria under the patronage of Germany. Any real consolidation of Eastern Europe is not within Mussolini's scheme.

The conferences in London, though significant, are only preliminaries. It is doubtful if anything definite will develop before Lausanne. But unless there are signs before June that the various parties concerned are willing to subordinate nationalism, at least for the time being, there is small hope that they can work themselves out of the present economic muddle though it can become the means of their complete undoing. Perhaps the greatest hope is for Britain to show greater sympathy with French demands for security. A strong Franco-British bloc might be able to see through some constructive policy.

# German Transfer Moratorium Definitely On the Way

EUROPEAN NEWS BUREAU (*Cable*)—Unmistakable signs that Germany is drifting toward a complete transfer moratorium on foreign obligations continue to crop up. This week, came the proposal that long-term debts which have been contracted privately by German individuals or by industry be placed under a standstill agreement very similar to the arrangement made last August and renewed in a revised form in December by the country's major short-term creditors.

The proposal includes a scheme whereby maturing credits would be paid on a ration system. When the credit matures, the debtor would make a 15% payment in Reichsmarks. This would not be transferred to the foreign creditor, however, but would be paid into a special account in the Reichsbank. Then, at the end of each 6 months, another 15% would be paid into the account. In cases where the credits have been granted to German banks, the amount paid at each maturity would be 25% instead of the 15% which holds for the other (largely industrial) loans.

Germany's plight is coming to be generally recognized now. Short-term creditors faced the situation squarely in December when they were compelled to revise their standstill agreement before extending it. Not only was provision made for leaving the funds largely in Germany on maturity, but a committee was set up to follow the trend of developments, consider the difficulties of the Germans, meet problems as they arose.

The total of fractional payments on the short-term debt which should be transferred outside of Germany this year is set at some figure between $142 and $167 millions. Agreement within the last few weeks of British, Swiss, and Dutch bankers to reduce the interest rates (*BW—Mar30'32*) may reduce this amount by $15 or $20 millions. Long-term payments which normally would be paid abroad this year in foreign currencies range somewhere between $238 and $273 millions. To meet this total of foreign transfers, Germany would need a favorable export balance of about $30 millions a month at least. The balance in January was $25 millions; in February $24 millions. March figures are not yet available.

**Adjustments Inevitable**

Germany is wisely reefing the sails in advance. Berlin believes it is better for all concerned to face the crisis squarely, make the adjustments which are inevitably going to be necessary after careful consideration by both debtors and creditors. Coming gradually, the commercial moratorium will be less of a shock to the business world than was the political moratorium of last summer.

# The 1932 Automobile Battle Will Be Fought on a Price Basis

## With Ford's challenge taken up by his competitors, it's buyer's choice in the small car market

MR. FORD started it off with new low prices on his 2 new models. Chevrolet refused to "wait and see" how they would take but jumped into the fight with drastic reductions which place its 6-cylinder line about mid-way between the Ford 4 and V-8. New Plymouth prices put that car in direct competition with the other 3. Then Pontiac, looking for a piece of the low-price market, made cuts up to $50, lowered its base price from $685 to $635.

Chevrolet's reductions of from $15 to $55 give it a range of from $445 to $625 compared with $410 to $600 for Ford Model B—the new 4—$460 to $650 for the Ford 18—the new 8—and $495 to $785 for the Plymouth. Most direct competition is on the 2-door, 5-passenger sedan, most popular model in all lines, which Ford sells for $450 in 4 cylinders, $500 in 8, and both Chevrolet and Plymouth sell for $495.

If the car market has made low prices necessary the supply market has gone far to make them possible. A survey of present prices on some of the more important automotive materials shows heavy declines from average 1927-1929 levels: steel 20%; rubber 88%; cotton 65%; copper 61%; tin 59%; zinc 56%; lead 55%; wool 51%. Numerous and drastic cuts in wages and salaries, reductions of overheads and consolidations of overlapping functions have further contributed to lower costs.

However, a difficulty in making these low costs effective in prices is shown in the recent action of Auburn, Studebaker and Graham, which have raised prices on the ground that production volume on which original prices were based has not been achieved.

### First Communiqués

The spring drive got off with a big start last week. It is reported that 5 millions inspected the new Fords during their first day of display in 200 cities; that 200,000 orders are now on the books of the company. The General Motors show in 55 cities has been similarly well attended and unusual interest has been shown in the exhibits. President Hoover helped the cause along with a public statement that orders for new cars now, even if delivery is delayed, will help employment and are economically a desirable thing to do. Studebaker joined the party with a "Call of the Open Road Week" and a slogan —"A New Car Is a Badge of Honor."

Mr. Ford is still under wraps. He had only 1,400 complete Model 18's when his exhibit began and production at Dearborn was only 300 per day. There appear to be ample supplies of chassis and bodies on hand but last-minute changes on the engine held back its production. Assembly plants are only now getting into production, full blast operations are not expected until the end of April at least, although half of the 80,000 employees at Dearborn are already working a full 5-day week.

### Chrysler Much in Race

Chevrolet produced 40,000 in March, is keeping the same schedule for April—at least, until it sees what the outlook is. Plymouth shipped 13,000 cars in March, 18,000 in the first quarter compared with 7,700 last year. Retail sales figures for January and February show Chrysler cars making the best record compared with the same months of 1931, with Studebaker, including Rockne, second and Graham third. All other makes have had fewer sales this year than last.

## Power of 1932 Dollar Dramatized by Macy's

R. H. MACY & CO., New York's largest department store, is dramatizing the increased buying power of the dollar.

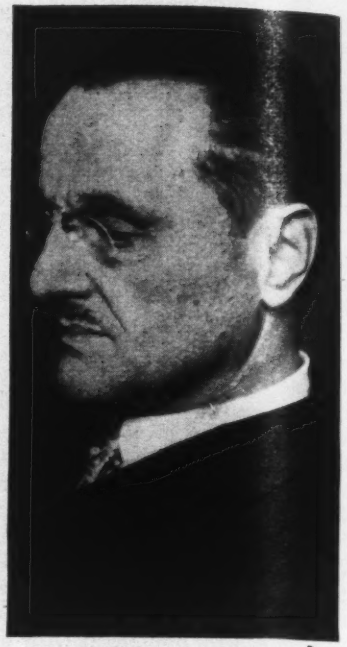
Macy's campaign takes the form of price and quality comparisons designed to lure hoarded dollars from their retreats. It emphasizes increased values by comparisons with offerings of former periods. Comparisons are not applied to any one year, but to any year within 2 decades, when an article of comparable quality and style sold at its high.

After price declines on consumer goods ran their course, pressure from retailers and competition drove manufacturers into a stampede. Markets were flooded with inferior goods which were advertised with extravagant claims. Shoppers balked when disillusioned by shoddy goods and demanded better quality (*BW—Feb17'32*). This shift Macy's seeks to capitalize.

Window displays show actual goods offered at present and former prices. The price comparisons are dramatized by posters and displays inside the store. Newspaper ads and radio broadcasts extol the advantage of present values.

The displays visualize an astonishing decline in prices, emphasize the folly of expecting real quality at figures that are still lower. A printed chiffon at 37¢ per yard is compared with that of 1929 selling at 64¢; rayon flat crepe, now 59¢, with that at $1.49 in 1929. Chintz bed spreads, now $2.79, are shown alongside those of 1928 selling for $15.74. A 1932 cotton blanket at 94¢ is asserted superior to that of 1927 at $1.89. Fruit-of-the-Loom sheets, $1.24 in 1926, are 87¢ now. The 1932 opera shoe at $5.97 outshines the 1929 model at $9.94. Milady's ankle length evening frock, 1932 model, at $22.74 seems a decidedly better value than the above-the-knee length mode of 1928, costing four times as much. The $6.95 grade of 1932 men's shoes goes back to the $11.89 grade of 1920. Food products compared with 1926 show reductions ranging from 25% to 40%.

In some lines of merchandise superior quality is offered to-day at lower prices.



Bonney

WRAPS THE WORLD—*J. E. Brandenburger, the French chemist who invented cellophane, now enjoys the fruits of his profitable labor, lives quietly in Paris*

While in 1929 it took $62.25 to buy a 50-piece set of plated table silver flatware, the 1932 all-sterling set of 50 pieces costs only $59.75 (*BW—Apr1'31*). In 1925 a Wilton rug brought $79.75 while now "American Orientals" sell for $39.75. Emphasis is laid on the styling which has been improved to meet boom-educated tastes at depression-conscious prices.

# Woolworth to Make 20 Cents Top Price in All 1900 Stores

THE new line of 20¢ merchandise, experimentally introduced by F. W. Woolworth & Co. in 50-odd of its 1900 chain variety stores (*BW—Mar2'32*) has brought such definite and substantial increase in sales volume that H. T. Parson, president, will recommend at the Apr. 13 meeting of directors that the price limit in all Woolworth stores be raised to 20¢.

Sales of 20¢ items during the trial period averaged 20% of total volume, accounted for 30% to 70% on specific lines of merchandise. In some stores 20¢ items produced material increases in daily sales volume, despite the fact that the general trend has been downward and sales for the entire chain during the first 2 months of 1932 were 4.7% less than during the corresponding period of 1931.

### Some Popular Numbers

Hosiery, underwear, children's sweaters and cotton suits, caps, household utensils, glassware, and crockery have proven particularly popular at the new price.

With Woolworth's 20¢ line actually on the counters, basement managers of department stores and managers of 5-10-25¢ to $1.00 stores are less seriously disturbed over this new competition. They believe no drastic changes in buying habits of the public will result. Perhaps better quality merchandise selling at 15¢ or 20¢ may supplant many items now selling at 10¢.

They are particularly glad that evidently Woolworth does not intend to use the new 20¢ limit as an opening wedge for the introduction of a large number of combination items (items with a separate price on each part so that the assembled whole costs more than the upper limit). Instead, numerous items of combination merchandise that under the 10¢ limit required separate pricing now sell complete within 20¢.

Mr. Parson has definitely stated: "We do not favor combination merchandise of 20¢ units. We want to make 20¢ the top limit of price for a complete article in this new department."

Preparations are under way to introduce the 20¢ lines in the company's 135 Canadian stores. Buyers have placed initial orders for such merchandise with British manufacturers to get the benefit of the preferential tariff on British-made goods.

## Two Small Food Chains Merged Into Big Ones

Two chains of food stores, prominent and important in their respective operating territories, will be merged with larger companies.

The 180-store chain of the J. W. Crook Stores Co., one of the first food chains in the country, operating in the Baltimore, Maryland, and Delaware territory has been bought by American Stores Co., one of the country's largest food chains, which operates 2,800-odd stores chiefly in the Middle Atlantic states.

American Stores Co. thus grows to 480 stores in the Baltimore territory, and can achieve the most economical operation through direct service from its recently enlarged Baltimore warehouse and bakery. It will increase the sales volume from that territory by at least $5 millions.

The Economy Stores Corp., operating 472 stores chiefly in the Boston and eastern Massachusetts territory, has bought from the Gray-United Stores, Inc., its 107 food stores located mostly in the Boston area, with units also in New Hampshire and Vermont.

The Economy organization assumes control of the acquired units Apr. 11, expects to improve the performance of individual units materially through consolidated operation and improved consumer service.

Under present conditions other comparatively small chains may find it advantageous to merge with larger groups. Opportunity for profitable operation has been drastically reduced in all retail lines. Individually operated stores and independent members of voluntary chains provide steadily more effective competition in service, while the units of large chains are competing with unprecedented pressure where price is the chief consideration.

Small chains always lose many of the advantages — flexibility, individuality, personal service—of the independent stores and yet are unable to gain the important operating economies of the large chains.

## "Piney" Drug Stores Cut The Cut-Price Prices

CHAIN and cut-rate drug stores, which have driven many a regular store into commercial suicide with loss-leaders and profitless prices, are getting a taste of their own prescription with the coming of the "pineys."

These "pine-board" drug stores originated in Los Angeles, have now made their appearance in New York. They take their name from the extreme cheapness of their fixtures. Their policy is to under-cut the cut-price stores.

Heavily advertised products take the hardest beating. Listerine, for example, in the $1 size, is sold by the cut-price stores down to 63¢; the "pineys" cut it further to 59¢.

### Children of Depression

The "pineys" are children of the depression, temporary retailers with low overhead, content with quick—if meager—profits. They owe their advantage to the troubles of the times: distress-selling of surplus and bankrupt stocks; low cost of retail operation in a day when landlords are glad to get tenants and clerks are glad to get jobs.

Established drug stores and chain operators take some comfort from the fact that distress stocks are dwindling rapidly, that even percentage leases (*BW—Feb24'32*) on the good locations run into money.

Wholesalers believe that if, when, and as the "pineys" have to buy through regularly established channels, they will not be able to do as much price cutting on nationally advertised lines, will probably expand their present practice of having for each group of nationally advertised goods some unknown substitute or private brand which, while selling for less, still yields a much larger profit.

Independent druggists consider the destructive competition offered by the "pineys" as one of the best arguments why national advertisers should support

Acme

PUBLICITY DE LUXE—*General Motors got the mayor himself to open its New York exhibition at the Astor. In 55 cities, similar parades of its products were staged in a magnificent gesture to arouse public interest which coincided nicely with the arrival of the Ford 8. Left to right, at the ribbon, are Mayor Walker, President Sloan, Vice-President Swayne*

current attempts to secure legislation to permit price-fixing on trade-marked commodities. They hold that unless advertisers protect their regularly established dealers against this type of price-cutting "peddler" competition, dealers and wholesalers must follow the lead of chain stores, cultivate substitution of private brands on which they can make enough profit to stay in business.

## Stores Find It's Better To Be Late Than Early

DEPARTMENT stores in New York City have found that extra shopping time at the tag-end of the day brings more sales than the first hour after the morning opening. They are revising store hours to catch the extra dollars and incidentally making it unnecessary for customers and clerks to travel homeward during the height of the traffic rush.

Franklin Simon & Co. started experimenting with extra shopping time early in 1931, announced that on Wednesdays the store would close at 6.30 p.m., 1 hour later than usual.

Records of the number of shoppers entering the store and actual sales made, showed that on both counts the extra hour produced better results than the first morning hour after opening on an average day and the practice was made permanent. Some months later store hours on other days were extended from 5.30 to 6.00, giving an extra half hour of preferred shopping time.

Several other important retail stores have partially followed suit.

B. Altman & Co. adds an extra 30 minutes on Saturdays, closing at 6.00 o'clock. Best & Co., Oppenheim, Collins & Co., Russeks Fifth Ave., Inc., and De Pinna have recently retarded opening half an hour—to 9.30—and put closing off from 5.30 to 6 o'clock, giving them 30 more profitable minutes at the end of the day. Arnold Constable & Co. makes it 6 o'clock during the winter months and 5.30 o'clock in summertime.

John Wanamaker has found it highly profitable to keep open until 9 o'clock on Wednesday nights during its February and August semi-annual furniture sales, manages to squeeze in an extra late Wednesday or two in other months —in January and July for advance showings or "courtesy days," in March and September for clearance sales.

R. H. Macy & Co., now experimenting with extra shopping time, has picked Thursday as the best day for gathering extra dollars. So it is keeping open an extra hour—to 6.30 o'clock—on Thursdays, but has not yet announced this practice as permanent.

Department heads in stores that have adopted the later shopping hours claim that most of the business done in the extra time is really new or extra volume brought in by workers who had been shopping elsewhere because they had found it impossible to reach these stores in their limited amount of free time.

## Mesh Hosiery Attracts Attention—As Usual

To bus conductors and full-visioned men-about-town it will be no news that mesh hosiery has taken feminine legs by storm. Some experts say it is here to stay, will push staple stockings right off the limb; others maintain it is only a passing fancy. The only certain fact about the new favorite is that capacity production seems to be the safe policy for the moment because demand definitely exceeds supply.

Mesh hosiery sales in retail stores have grown month by month since last fall. Today the line is established as a major branch of hosiery departments. Retailers believe that there will be no sudden return to staples and that the more conservative mesh designs will become staples.

### Now in Volume

Regardless of its future, mesh is now in the volume class. More than 40% of full fashioned hosiery orders call for it; some experts expect it to reach 60% this summer if the bare-leg fad doesn't get too serious. Mesh is normally a warm-weather wearable, shows to best advantage with summer apparel. Prospects for sun-tan mesh hosiery for vacation time sales look bright.

The industry is not sure whether mesh will break the staple hosiery market or not. At present it is only moderately competitive with higher-price staples, whose prices are unlikely to weaken. The chief drive is being made with mesh of the cut and sewn variety to sell for $1.25 and under. New companies are entering this field constantly and eventual over-production with resultant price slashing is not impossible.

A chief stabilizing factor is the cost of equipping mills to make mesh hosiery. *Textile World* estimates it costs $1,200 to change over a full-fashioned knitting machine and this is more than

# The New York Trust Company

**100 BROADWAY**

40th St. & Madison Ave. Fifth Ave. & 57th St.

## CONDENSED STATEMENT OF CONDITION

At the close of business, March 28, 1932

### RESOURCES

| | |
|---|---|
| Cash on Hand, in Federal Reserve Bank and Due from Banks and Bankers | $72,503,882.89 |
| United States Government Securities | 62,575,662.75 |
| Other Bonds and Securities | 33,054,867.52 |
| Loans and Bills Purchased | 114,591,567.71 |
| Real Estate, Bonds and Mortgages | 4,865,551.48 |
| Customers' Liability for Acceptances and Letters of Credit | 16,034,245.47 |
| Accrued Interest and Other Resources | 2,791,467.70 |
| Liability of Others on Acceptances, etc., Sold with Our Endorsement | 11,326,904.13 |
| | $317,744,149.65 |

### LIABILITIES

| | | |
|---|---|---|
| Capital | $12,500,000.00 | |
| Surplus | 25,000,000.00 | |
| Undivided Profits | 1,928,646.35 | $39,428,646.35 |
| Reserves: | | |
| For Contingencies | | 10,000,000.00 |
| For Taxes, Interest, etc. | | 2,728,094.68 |
| Deposits | 195,758,908.47 | |
| Outstanding Checks | 41,289,260.59 | 237,048,169.06 |
| Dividend Payable March 31, 1932 | | 625,000.00 |
| Acceptances and Letters of Credit | | 16,587,335.43 |
| Acceptances, etc., Sold with Our Endorsement | | 11,326,904.13 |
| | | $317,744,149.65 |

*Member of the Federal Reserve System and of the New York Clearing House Association*

## *Trustees*

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many hosiery manufacturers can afford to spend just now. Incidentally, the rush to mesh has brought a lot of new business to textile machinery manufacturers who otherwise would have had a pretty dull year.

## Three Major Disputes Upset Coal Industry

THE coal industry in Pennsylvania, West Virginia, Ohio, Illinois, and Indiana has been troubled by 3 major industrial disputes which have stopped operations to a considerable extent. One has now been settled; a second appears to be on the verge of early adjustment. The third is assuming dangerous proportions and promises to have serious effects upon coal production.

The strike of United Mine Workers threatens to involve all mines in Ohio and the West Virginia Panhandle fields. It started when Hocking Valley operators reduced wages and 7,000 miners struck. Sympathetic strikes in neighboring fields soon made it 12,000. Last week, after the refusal of the operators to confer with the union on the new scales, a second strike call went out which brings the total to 25,000.

An earlier disorder, now virtually settled, was the insurgent strike of Pennsylvania miners who demanded "equalization" of work in mines and charged discrimination in allotment of available jobs. This strike was actively opposed by United Mine Workers. Most collieries have now reopened with the insurgent miners back on their jobs.

The latest shutdown closed Illinois and Indiana mines Apr. 1. It is neither a strike nor a lockout, but a mutual agreement between operators and the union that work shall cease until a new working agreement is signed. Negotiations have been going on for several weeks with not too much progress, but ultimate agreement is expected.

## Employers Win Another Building Wage Skirmish

THE battle over building trades wages in metropolitan New York came definitely out in the open this week when the Building Trades Employers Association of Long Island started open-shop operations at wages 33% below union scales. This action followed a similar move against painting trades which, on March 7, were declared on an open-shop basis at $1 an hour.

In both instances, employers' action came with the termination of contracts with the unions, followed months of fruitless negotiations.

With the acceptance of new low scales by Chicago building trades a few weeks ago, New York, Boston, and St. Louis remain the only large cities in which unions have successfully withstood the pressure for lower wages, usually on the basis of a 33% cut.

In New York, where most union agreements expire May 1, little progress has been made toward a compromise. Cuts which union leaders will accept and those wanted by employers are still far apart. Employers now seem determined to effect 25% cuts when present agreements expire, whether unions agree or not, and operate on the same basis as Long Island. With employment low and wage sniping rampant the unions are in a bad spot.

About 2,000 workmen are affected by the Long Island action. They must decide to break with their unions or their jobs. If they follow their union leaders, their jobs are gone, perhaps permanently. Employers claim that there are plenty of building craftsmen eager to work at the new scales.

In Boston, the Building Trades Council has recommended that all unions affiliated with it accept a 15% reduction in wage scales for 1 year from Apr. 1. Employers are skeptical; doubt whether many individual unions will accept the advice; are not at all sure that a 15% cut would be enough to satisfy employers.

*Halbran*

PIANO MODERNE—*Steinway is about to introduce this compact piano for apartments. Rack, keyboard, even pedals, fold out of sight, leaving the exterior unbroken. Regular frame, stringing, and action give full tone*

## Small Pledges Make Work For Portland's Unemployed

WITH $10 millions of new construction, remodeling and general improvement work pledged after a 3-week intensive campaign, the Portland, Ore., plan for jarring loose available funds for work relief is considered successful. The original goal was $5 millions. When $8 millions was pledged after 10 days, the ante was raised to $10 millions.

The drive was conducted by Civic Service Building Bureau, a voluntary unit organized for the emergency. It was sponsored by many trade and labor groups and received strong support from the Chamber of Commerce, Realty Board, public officials, and civic associations. Decline in relief appeals to Community Chest agencies in March, compared with February, reflect the effect of the drive upon employment.

Pledges of work were taken in amounts from 50¢ to $1 million. A very few covered projects amounting to 6 figures, there were many for $10,000 to $20,000, but the bulk were for much smaller sums to cover minor repairs.

# SETTING NEW STANDARDS DAILY

IN EVERY industry, for every kind of hauling problem, Firestone Gum-Dipped Tires are making new records every day, setting new standards for safety, long mileage and low costs.

Firestone construction features make these records possible:

***Gum-Dipping*** saturates and insulates every cotton fibre of every cord with live rubber and transforms the cotton cords into a tough, strong sinewy unit.

***Two Extra Cord Plies Under the Tread*** give 56% stronger bond between tread and cord body, and 26% greater protection against punctures and blowouts.

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# Its Sales 46% of Mill Capacity, Cement Industry Seeks Way Out

## Some plan for complete reorganization regarded as only alternative to chaos

CEMENT manufacturers are hotly discussing alternative plans for the complete reorganization of their business. The adoption of some plan seems eminently necessary. Overproduction, price-cutting, and all the other familiar phenomena of industrial demoralization have reduced this industry to sorry straits.

With manufacturing of cement always considered extremely profitable, and markets broadening steadily up to 1928, expansion has been stimulated far beyond immediate needs. Between 1923 and 1931 production capacity was practically doubled. But consumption reached a peak in 1928, when 72.4% of capacity was used, and has declined steadily since—to 46% of capacity in 1931.

### Ethics Suffer

Marketing of cement, which appeared well organized and efficient while demand was increasing, became less ethical as consumption declined, and the burdens of overcapacity were increased. Since demand dropped to less than half of capacity it has deteriorated into a free-for-all scramble for tonnage at any price.

With the outbreak of open warfare, late in 1930 (*BW—Dec10'30*), many producers began to forget actual production costs, sound marketing principles, the need of protecting existing investments, the fact that price-cutting does not stimulate consumption, but merely forces the entire industry into operating losses. Prices quoted on specific construction jobs have been successively lower.

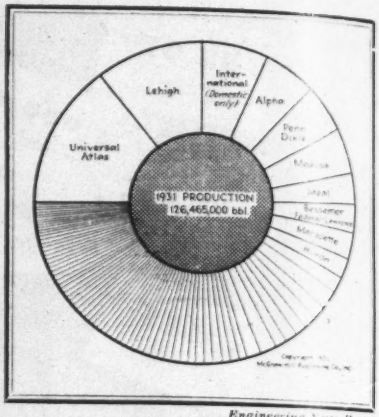
U. S. government statistics show that, from a peak of $2.02 a bbl. in 1920, cement prices dropped during 1921 and 1922, recovered slightly in 1923, declined steadily to $1.44 in 1930, averaged less than $1.15 at the mill in 1931.

### Bids Under $1

Many bids for 1932 requirements have been substantially below $1.00 a bbl. at the mill. For instance, the state of Illinois placed contracts for 4 million barrels to be delivered in 1932 at prices which, after deducting freight and bags, will net the mills approximately 46¢ a bbl. at the mill.

The process of making cement allows greatest operating economies, lowest over-all cost (of $1.30 to $1.35 per barrel at the mill) only when plants operate at 85% or more of capacity. Production costs rise rapidly and proportionately as output drops below that level.

Starting from this point, *Engineering News-Record* has suggested a drastic realignment of the cement industry's production capacity as a means of preventing a complete collapse of its marketing structure, with the failures and widespread loss that would ensue. Its program is receiving serious consideration in the industry.




Engineering News-Record

—AND EFFECT—*The inner circle represents actual cement production in 1931; the outer circle represents production capacity of the industry apportioned by companies*

This publication estimates that, on the basis of an average selling price of $1.15 a bbl., the cement industry lost $25 millions in 1931. It feels that, with early 1932 bids involving at-the-mill prices of less than 50¢ a bbl., many companies must inevitably go under unless some method of relief is found and speedily applied.

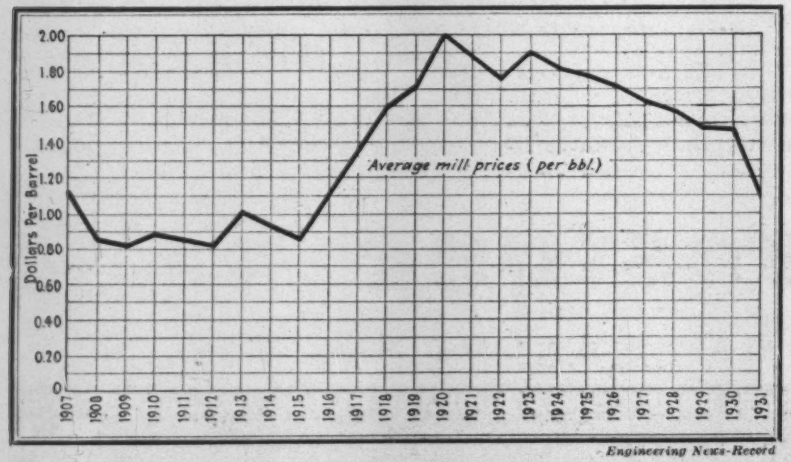
It is suggested that under prevailing conditions, with consumption far below 50% of actual capacity, more economical production, better distribution, lowest practical selling prices can be permanently obtained without serious losses to the public if a larger number of plants be put under single operating control. Fewer plants need then be operated, but those few could operate at high-efficiency levels; sales costs would be reduced through elimination of unnecessary duplications; operating profits would be possible.

### Three Plans Proposed

Three re-grouping plans are proposed for the industry.

Plan No. 1 groups with 6 large companies now operating east of Colorado, a number of other companies either located in territories where the larger company does not now operate, or so located as to supplement present producing capacity for more economical operation.

Plan No. 2 suggests for the cement industry companies with national distribution, such as exist in most other important industries, provides for the formation of 5 nationally operating




Engineering News-Record

CAUSE—*What has happened to cement prices since 1907. Behind the present chaos is the steady slide since 1923, the sharp drop in 1931*

# IF YOU WANT TO SELL NOW—

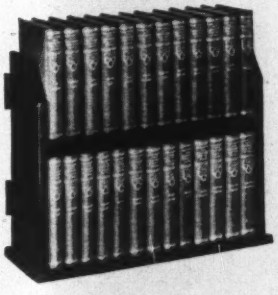
# TELL THE SPENDERS!

IT TAKES more than "proved buying power" to make cash sales. It takes money in hand, plus the willingness to spend it — a two-way purse and sound judgment of values.

Every reader test, of income and interest, has shown that *The Digest's* readers are solid citizens, people of position, property owners. Now we go further and give dollar-sign proof that *The Digest's* readers are spending freely—in a year when all business is searching for spenders.

To take one example: We offered the Standard Encyclopedia by mail to subscribers with a three years' subscription, at $12 the set ($18 in a special binding). A single letter, mailed in December, brought more than 100,000 orders! Total orders received this spring will amount to approximately 250,000—more than $3,000,000 in sales. Plain proof that *Digest* readers are ready to buy *now* and able to pay.

Another example, of closer concern to advertisers: *The Digest's* net paid circulation for March and April will average better than 1,550,000 weekly — more than 10% above the guarantee! It is clear that readers are *spending now* to get *The Digest*—and spending more than they spent in 1931, in 1930, in 1929. . . .



Exciting times like these always enlarge the interest and influence of *The Digest*. And *The Digest* plays its own active part in the national life, this year with notable polls on prohibition and presidential candidates, with daily news reports over the air, and with regular comment in street cars, airplanes and periodicals.

If you want to sell now—tell the spenders who read *The Digest*. Regardless of its leading role in the 1932 show, *The Digest* offers increasing numbers of readers at rates reduced a flat 25% — quotes a net price of less than $2 per page per thousand — delivers *class circulation at mass costs.*

This is a chance that can be cashed at once. We publish your appeal for customers less than two weeks after receipt — if necessary only eight days from plate to news-stand. Fast work, coming and going. Let *The Digest* take your latest news to your greatest group of spenders. They are ready to buy and they may not wait.

*Quantity*—1,400,000 average guaranteed, "or rebate."

*Quality*—self-selected by active interest in realities.

*Economy*—25% lower now, less than $2 per page per thousand.

For most advertisers, here is the first buy in the magazine field. Get all the facts—and *buy now!*

## THE LITERARY DIGEST

***Sounding-board of American opinion***

groups, is designed to insure ample competition in the various marketing areas through 35 individually operating companies.

Plan No. 3, considered as an ideal regrouping of plants, provides for only 3 nationally operating companies, leaves concerns representing approximately half of the industry's total capacity in their present individual control, insures strongest competition in the most important marketing areas, makes possible greater economy of production and distribution for existing operating units.

All 3 plans start from the theory that, through greater centralization of certain production capacity, the industry can prevent complete ruin, and maintain itself, while selling cement at lowest practical prices.

That the principle works in actual practice is taken as demonstrated by an analysis of the operating statements of 7 cement companies representing approximately 25% of the industry's total capacity.

Two of the 7 operate as many plants as do the other 5 but the plants of the latter average 20% more capacity each and, other things being equal, should have achieved greater efficiency, earned better profits.

But, estimating their shipments on the basis of national average consumption, it appears that in 1930, with cement prices averaging $1.44 a bbl., the 2 large companies earned 19½¢ a bbl.; that in 1931, with prices at $1.15, they were still earning 3½¢ a bbl. Under the same conditions the other 5 concerns earned only 17.4¢ a bbl. in 1930, lost 19¢ a bbl. on all their 1931 shipments.

# Number of Stockholders Grows Swiftly Despite Depression

STOCKHOLDERS' lists of leading American corporations have swelled to record proportions notwithstanding the stock market apathy and depression conditions.

Standard Statistics Co. returns for the first 94 major reporting companies reveal that they now have 6,724,000 stockholders, compared with 4,760,000 at the end of 1929—an increase of 41.2%. Another survey of 55 companies listed on the New York Stock Exchange—with 50.7% of total common share listings—discloses an increase of 1,529,337 stockholders, or 53.3%, in 2 years.

Many small dabblers in stocks were compelled by the market crash either to pay for stocks outright or to be sold out, so that much stock was transferred into individual names. Besides, more new stockholders were brought into the market by bargain prices than were sold out.

In many companies, notably A. T. & T., Cities Service, and Pennsylvania Railroad, small stockholders comprise more than a majority of the total. Thousands of small investors have bought shares in lots ranging from 5 to 100 shares and put them away in safe deposit boxes. A large amount of the floating supply of common stocks has gone from temporary into permanent hands. In other words, a substantial amount of distribution has been accomplished despite the depression.

Some gains in stockholders are very substantial. Most—but by no means all—are reported by corporations whose shares have been split up, thus reducing their market price.

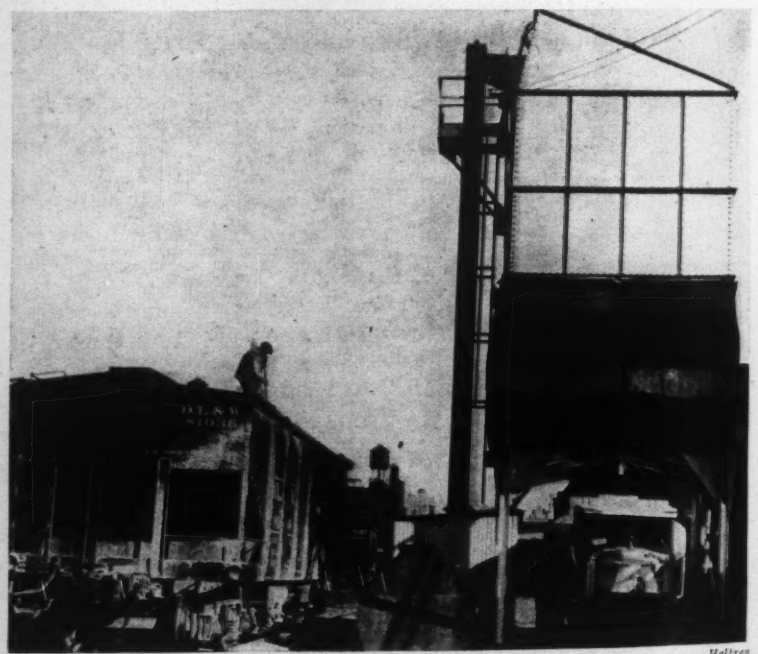
A. T. & T. had the largest 1931 total with 645,000 shareholders. It had 568,000 in 1930; 470,000 in 1929. Cities Service totals: 607,000 in 1931; 515,000 in 1930; 423,000 in 1929. General Motors, 313,000; 264,000; 199,000. Pennsylvania Railroad: 246,000; 233,000; 196,000.

The increase in stockholders is more marked among the larger corporations. General Electric shows a gain of 150%. G.E. had 150,000 stockholders at the end of 1931; 60,000 at the end of 1929. Packard Motor and United Corp. show 98.1% advances.

Other corporations making notable gains during the period include Radio Corp. of America with 71.6%; Electric Bond & Share with 65.1%, and Commonwealth & Southern, General Motors; International Nickel, and Anaconda Copper, all of which showed increases between 50% and 60%. Even where large holdings in one company have been acquired by another, such as holdings of United Corp. in United Gas Improvement, and du Pont in General Motors, the number of stockholders of both companies continued to rise.

The U. S. Steel Corp.'s report of 247,000 stockholders at the end of the first quarter of 1932—the largest on record for that company—represents a continuous advance since the final quarter of 1928. A. T. & T. has added nearly 15,000, and General Motors over 12,000 shareholders since Jan. 1.

A number of "involuntary investors"



Haltron

CEMENT WITHOUT BAGS—*Cement for New York's new Inland Freight Terminal arrives in moisture-proof cars, is dumped into tanks, loaded by conveyor into trucks, weighed, mixed, and poured by machine*

—those who decided to take up their stocks for cash—will probably dispose of their holdings at the first favorable opportunity. For this reason as well as the trend toward downward revision of share capitalization by large corporations (*BW—Mar16'32*), it is believed the upward movement in stockholders' lists of numerous large corporations has approached its zenith.

## Banks Decide It's Safe To Cut Dividends

BANKS and insurance companies reduced payments to stockholders in March — their first cut of this kind since the depression started. For 335 of the largest institutions in both groups first-quarter dividends dropped to $61,336,396 from $68,448,904 for the same 3 months of last year.

Unsettled conditions, the heavy withdrawal of deposits, the low rate of industrial operations, light domestic financing, and low interest rates, have had their effect. Dividend reductions have been held up by the fear that lowering them would weaken public confidence further. Like the country's 2 largest banks (*BW—Mar16'32*) others have now decided the move can be made with safety and resources conserved.

## German Car Owners Pay Heaviest Tax

TAXATION is a moot question even when confined to domestic levies. On an international scale, each national is inclined to think he bears the heaviest burden.

Interested in selling automobiles abroad, many a member of American Chambers of Commerce in Europe has watched the domestic automobile taxation problem anxiously. Members of the American Chamber in Berlin declare that Germans bear the heaviest automobile taxes, cite statistics based on recently available figures:

| | *Automobile Taxes* | *Fuel Taxes* | *Average Annual Taxes per Car* |
|---|---|---|---|
| | *(000 omitted)* | | |
| Germany | $50,000 | $80,000 | $190 |
| Britain | 121,000 | 75,800 | 133 |
| Italy | 9,571 | 34,520 | 124 |
| France | 51,427 | 82,400 | 89 |
| U. S. A. | 335,357 | 4,786,290 | 30 |

America's high returns from the fuel tax and unusually low average tax per car are explained graphically when automobile registrations for the various countries are listed.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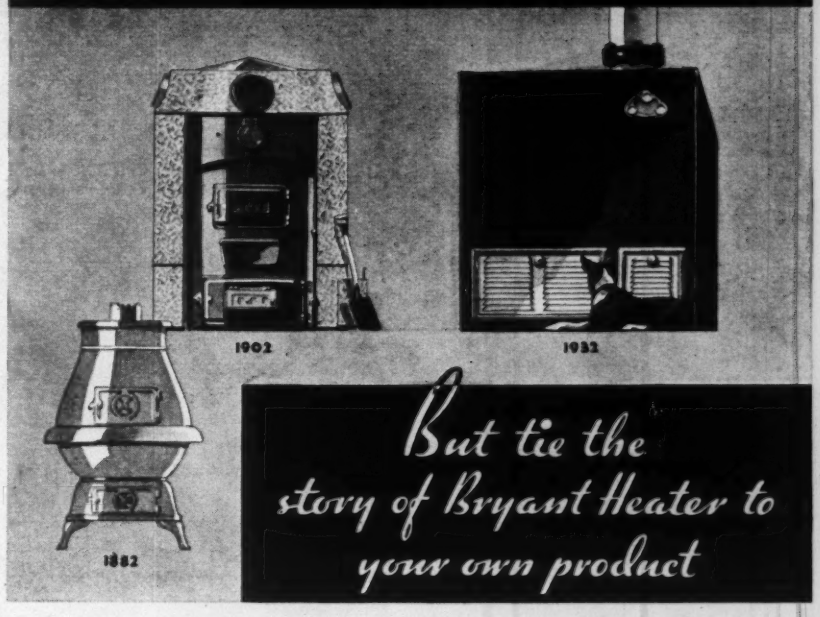


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We would like to know more about your free offer to make a Product Diagnosis for us. And send us a copy of "Old Myron Looks Up" — the tale of an old business and a new bag of tricks.

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# Theories nearly ruined their business

# NOW *they work with* FACTS

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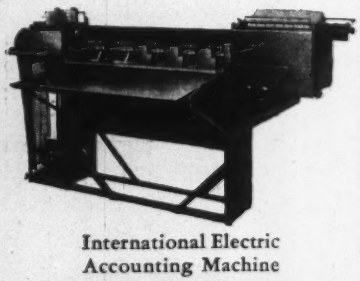
Such authoritative direction is provided by International Electric Tabulating and Accounting Machines. Extraordinary flexibility, speed and accuracy are brought to every accounting and statistical procedure to which these devices are applied in their world-wide service of creating better business methods.

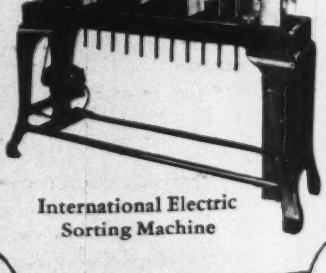
They create a source of dependable information that reveals and indicates with a speed and precision not otherwise obtainable. They consign theories to the scrapheap of uncertainties and guide management to greater profits on the sound footing of concrete evidence.

*One of our representatives will be glad to prove that these devices can be applied to your business with profit-producing results.*



International Electric Accounting Machine

International Electric Key Punch



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# Bus Operators Fear Control Bill Will Apply the Brakes Too Hard

## Their objections center, not on the principle, but on some of the details of the Couzens plan

WITH the hearings on legislation for the federal control of interstate buses ended, Senator Couzens, chairman of the Senate Commerce Committee, intends to report his bus bill as soon as it can be whipped into shape.

Whether the final draft will deal only with buses and say nothing about trucks, is still an open question. The bus people object to having buses and trucks—2 entirely different types of vehicles—covered by the same bill, and the truckmen have put up a united front against the proposal that would require common carrier and contract trucks crossing state lines to obtain permits from the Interstate Commerce Commission. But Chairman Couzens seems to be insistent on having it incorporated as a groundwork for the federal control of interstate trucking operations at a later date. Unless stricken out on the floor, this provision may be enough to defeat the bill.

### They Don't Like—

Bus operators as a whole are not opposed to federal control. What they are afraid of, is the imposition of regulations that would cripple their industry. As such they consider the proposal requiring 2 operators on buses with a capacity of more than 20 passengers and the provision for an 8-hour working day. They also strongly object, together with insurance companies, to the proposal that would prevent self-insurance and would permit suits for damages to be filed against insurance companies. The effect of such a provision, it is claimed, would be to encourage juries to return big verdicts.

### They Don't Mind—

The other provisions contemplated in the bill would probably work no great hardship. Under these, interstate bus operators would have to get certificates of public convenience and necessity, but, in passing on them, it is expected the Interstate Commerce Commission will be required not to consider the existence of rail service between the same points. Whether an attempt will be made to write into the bill specifications governing maximum sizes and weights is uncertain. Strong objections were raised to this during the hearings on the ground that it would be unfair to limit the dimensions of regulated buses only and not those of vehicles which would remain unregulated.

The rate-making power of the I.C.C. and of the joint state boards acting in its stead would be limited to a finding on whether tariffs filed by interstate bus lines are unjust and unreasonable. Here again the intent to prevent rail transportation conditions from influencing regulation of highway transportation is evident in the proposal that no bus rate shall be declared unreasonable on the ground that it is unjust to a rail carrier.

The railroads will not be greatly favored by the bill. They will probably be permitted to engage in the operation of buses and trucks, through subsidiaries, with a proviso that any deficits incurred in highway operations may not be carried over into railroad accounts. It is doubtful whether authority will be given them to inaugurate motor service which will parallel their rail lines.

The House Commerce Committee is not expected to take action on bus legislation until it receives the Senate bill. Some anticipate that the bill will be so mangled either on the Senate or House floor as to be repudiated by its sponsors. This has happened before.

## Railroads Seek to Lure Livestock Shippers Back

THE railroads are steadily reaching out for the business they have lost to the motor trucks. In Minnesota attention is now focused on the livestock farmer. To get more of his trade, the Great Northern, Northern Pacific, Rock Island, Milwaukee, Omaha, and other railroads serving the South St. Paul livestock market have just made drastic revisions in their tariffs, as an experiment, for the balance of this year.

The changes apply to rates and minimum weight requirements and are designed primarily to stimulate small shipments of cattle, sheep and hogs by rail. Under the new tariffs, the minimum weight is 12,000 instead of the previous 19,000 lbs., a reduction of approximately 37%. As a result, many livestock farmers, whose shipments usually fall short of the 19,000-lb.

*International News*

PACKARD WINS A TROPHY—*Senator Bingham (right), head of the National Aeronautic Association, turns over to President Hoover the Collier Trophy for presentation to Alvan Macauley (left), president of Packard, for Packard's work in the development of the Diesel engine for aircraft*

Acme

AT THE AIR SHOW—*The industry masses its new modes in aircraft in the world's largest hangar at the Detroit City Airport*

weight, are expected to turn back to the rails.

The Northern lines also have asked the I.C.C. for authority to lower freight rates on new automobiles in order to get this traffic back.

## More Air Business Brings More Airways

AIR passenger and express transport continues to grow with the help of lower rates and more frequent schedules. In many cases, it is believed, the reduction in fares will be more than made up by the increased traffic.

The American Airways carried 3,188 passengers, 112,829 lb. of mail in February, and increase of 87% and 7% respectively over the same month last year.

On the United Air Lines a 34% gain in passenger traffic is reported for the first 2 months of this year; also a substantial increase in air express business. Encouraged, the company is undertaking a new expansion program. This provides for additional tri-motored passenger plane schedules Los Angeles and San Francisco and Seattle and Portland, also a night tri-motored passenger service between Cleveland, Chicago, Moline, Kansas City, Tulsa, Oklahoma City, Fort Worth and Dallas, replacing the present overnight mail-only schedule. Upon the early opening of an additional service on its coast-to-coast route, flying on the United subsidiaries will total 37,000 miles a day.

# What, Abolish Shipping Board? Not With Subsidies to Watch!

PRESIDENT HOOVER has made another plea for abolition of the Shipping Board in the interest of economy and sound business administration, but there is little hope that Congress will heed.

In the first place, Capitol Hill doubts that the faults of the government's shipping policy can be corrected by mere administrative reorganization. Furthermore, as long as federal subsidies are being handed out, Congress will insist on the retention of a board with a regional membership to enable the various sections of the country to keep an eye on each other.

In renewing his suggestion for doing away with the Shipping Board, the President remarked that this was "not a criticism of the board, but a criticism of an impossible and expensive form of organization and divided responsibility."

As now conducted, the procedure under which the government spends about $100 millions a year in shipping subsidies is exceedingly complex, with authority divided between the Shipping Board and the Postmaster General, and often calls for a double subsidy.

### Double Aid Needed

To obtain a mail contract, a shipping line must agree to undertake a new construction program which, in most cases, involves the building of ships that otherwise would not be needed. Usually it is impossible to finance such construction unless money can be borrowed from the Shipping Board's loan fund. The net result is that shipping lines are induced to expand their services ahead of actual requirements, and the government has to render double aid, by mail contracts and construction loans.

Whatever the demerits of this system, it has stimulated activity in ship yards and steel plants.

The President's plan would coordinate all federal shipping activities in a single bureau in the Department of Commerce. Besides performing the functions of the Shipping Board and the other governmental merchant marine agencies, this new agency would regulate intercoastal and inland waterway rates.

### Barge Lines Suppressed

The President's plea for the regulation of inland waterway rates is considered significant. Ever since the White House instructed Major-General Ashburn to suspend the low rates on cotton charged by government barges (*BW—Nov25'31*) because of railroad opposition, it has been felt that the administration attitude toward federal barge line operation was changing. Possibly, Mr. Hoover has decided that, in view of the condition of the railroads, it is better not to give the federal barge line too much rope.

It is also possible that the Interstate Commerce Commission holds the same view. In a decision handed down last week, the commission rejected the government barge line's plan to extend its service by requiring railroads to join in the establishment of additional rail-barge routes and joint rates on cotton from Southern and Southwestern points to New Orleans and Mobile. Another indication is the commission's ruling this week that in future sugar shipped from New Orleans and Mobile over barge-rail routes must pay all-rail rates if accorded storage in transit at Birmingham and Holt, ports of interchange.

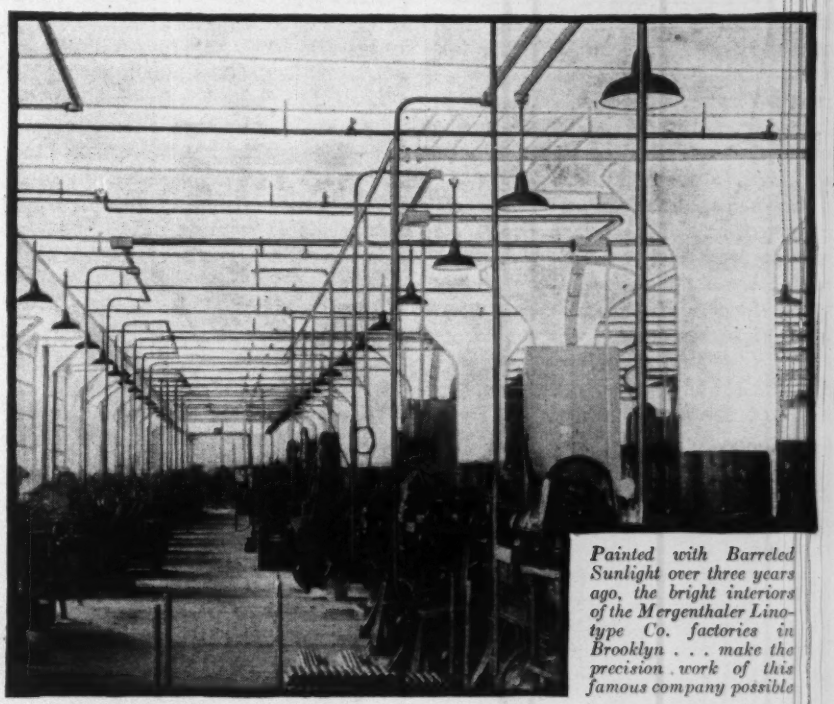
*"Even in Your Plant*

# *Dingy interiors* and *poor lighting* may be sacrificing profits"

*says*

WARD HARRISON

*Director, Nela Park Engineering Department of General Electric Company*



*Painted with Barreled Sunlight over three years ago, the bright interiors of the Mergenthaler Linotype Co. factories in Brooklyn . . . make the precision work of this famous company possible*

"FURTHERMORE," he continues, "you cannot leave the matter of adequate lighting to guesswork. In 85% of American plants, bad guessing is costing management serious losses in economy of production that you can easily avoid.

"The right kind and amount of light for every specific job in your plant is easily determined by the lighting specialist of your local power company. Let him make a lighting survey. That is *his* job.

"Then, keep ceilings and walls a clean white. Unpainted . . . grayed with grime and dirt . . . or yellowing with age, they may absorb as much as 80% of the light that strikes them. They deaden daylight. They may seriously reduce the efficiency of a fine artificial lighting installation. They waste the light for which you are paying.

"Painted a lasting white, and kept clean, they may increase the level of general illumination as much as 15% to 25%."

OVER a quarter of a century ago, Barreled Sunlight blazed a new trail . . . pointed the way to better lighting. To the dingy interiors in which millions of workers toiled, it brought the cheerfulness and cleanliness that only *white* ceilings and walls can give.

***Barreled Sunlight Remains White Longest***

In the modern, scientifically lighted plant, its rôle is even more important. For the smooth, non-porous surface of Barreled Sunlight is guaranteed to remain white longer than any other oil gloss paint or enamel applied under the same conditions. (See full guarantee at the right.)

Used with any lighting equipment, it delivers more working light, for a longer period of time, at a lower cost, than any other oil gloss paint.

The booklet, "More Light with Lasting Cleanliness," contains more detailed information about Barreled Sunlight. Write for it to the U. S. Gutta Percha Paint Company, 1-D Dudley St., Providence, R. I. Branches or distributors in all principal cities. (For the Pacific Coast, W. P. Fuller & Co.)

**GUARANTEE**— Barreled Sunlight, the Rice Process White, is guaranteed to remain white longer than any oil gloss paint or enamel, domestic or foreign, applied under the same conditions and according to our specifications. If it does not do so, we will give, free, enough Barreled Sunlight to repaint the job.

# Barreled Sunlight

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***Remains White . . . Reflects Light . . .* LONGEST**

# Business Must Bid High to Get Bond Money Under New Tax Laws

## Exempt issues at half the rate compete on equal terms for the large investor's dollar

RISING bond prices usually precede and always accompany recovery from depression. That is why the laborious climb of bond prices from the December low was watched so hopefully. But 3 months' progress has been wiped out in 3 weeks. Investment demand that usually appears when prices are "right," this time is frozen by fear.

Observers, however, see some encouragement. Tax exempt bonds are moving moderately upward, which may enable some public works, and public works have a strong sustaining effect upon general business. Moreover, there are a few buyers for the best rails, industrials, and utilities. Net income on some of the best "close to the rails" mortgages is described by dealers as "luscious." Wall street expects no major rail receiverships; is watching rail earnings under the new rate and wage schedules.

### Shows Wide Spreads

For the moment, however, the list shows the bad conditions of last December, with wide spreads between bid and asked prices, always the sign of a thin market.

The market for the tax exempts is particularly interesting. Federals are still under the influence of tax uncertainty but fully exempt Liberty 3½'s and all issues convertible into them are selling close to the year's high.

Municipal bonds and municipal financing have become the center of special investment interest in recent weeks, because of: (a) The insistence of bankers and investors on municipal economy and the rejection of bonds of cities which will not conform. (b) The restoration of war-time income tax rates in the House bill.

### A "Logical Refuge"

With income taxes boosted all the way from 20% to 65%, state and municipal bonds become the logical refuge for the funds of wealthy investors. The *Bond Buyer* estimated that on taxing conditions approaching the 1924 schedules, an investor with an income of $50,000 annually would derive the same net return from a tax-free bond paying 4¼% interest, as from a taxable bond returning 5.59%. The investor with an annual income of $75,000 would find a tax-exempt bond of 4¼% equivalent to a taxable bond returning 6.34%. An investor with an income of $100,000 annually would be compelled to find a bond with a coupon rate of 7.46% to yield the same income as a 4¼% tax-exempt and an investor in the high brackets, with a million or more a year, would have to match a tax exempt 4¼% with a taxable 8½%. This offers business stiff competition for money.

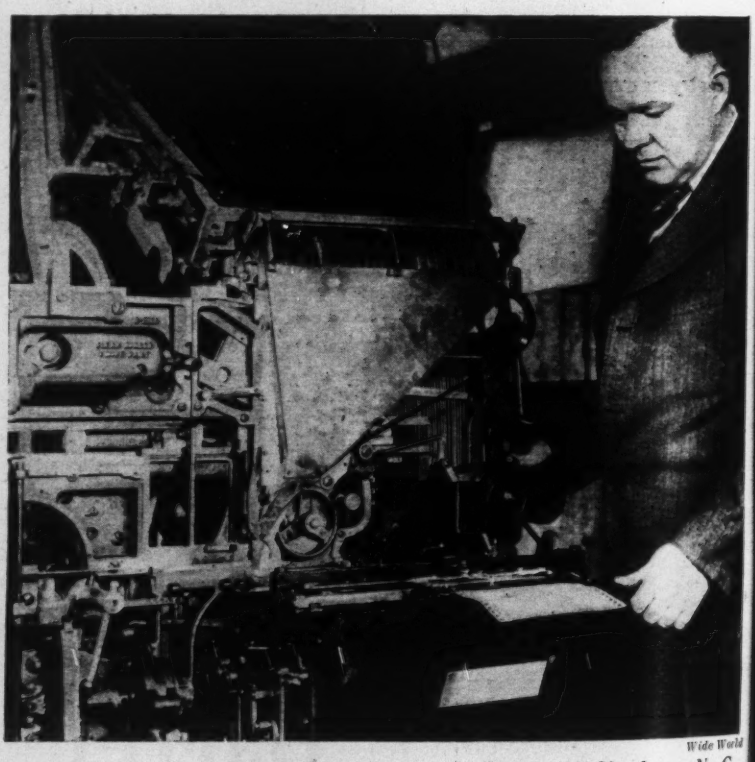
American cities of the highest credit rating—as St. Louis, Rochester, Syracuse, Minneapolis—can secure all of the long-term money they need at 4¼% to 4½%. This compares with a rate of 3¾% to 4% in 1928, about a year before the bull market in stocks reached its violent stage. Many cities are "on the defensive" as far as new borrowing is concerned. Because of the severe shrinkage in the market values of real estate, the assessed valuations have taken a considerable jolt, with the result that many cities have already gone the limit in long-term borrowing through the bond markets.

The volume of municipal financing in the first quarter of the current year at $256 millions was the lowest for that period of any year since 1923, and compares with a total of $449 millions in the same period of 1931, which was a high for recent years, according to *The Daily Bond Buyer*.

This severe decline is having a dire effect upon municipal construction, and thus upon the general business picture, as noted several times in *The Business Week*.

## Instalment Selling Weathers the Storm

UNDER the gruelling test of hard times, instalment selling seems to have retained as much confidence and to have made as good a showing as any other piece of business machinery. The amount of instalment paper outstanding today indicates that the depression has slowed down this kind of selling no more than it has other kinds of selling



Wide World

IT FOLLOWS COPY—*Invention of Buford L. Green, of Charlotte, N. C., this linotype sets type direct from the typewritten sheet. An "electric eye" translates letter into electrical impulses that release the proper molds*

on those classes of goods which are commonly bought on instalment. In some cases, less. For instance, while sales of new automobiles have dropped 30%, the slump in dollars of instalment financing of automobile sales has been approximately 16%. And financing of used cars has increased in face of declining sales.

### Declines of 1931

Of course, the totals are down, as what totals are not. Data compiled by the U. S. Department of Commerce show that retail automobile financing in 1931 amounted to $950,400,000 against $1,201,200,000 in 1930, $1,435,100,000 in 1929. Further declines in automobile sales will probably be found to have carried the figures further down in the first quarter of this year.

But if some small finance organizations have experienced collection and other difficulties, the leading units in this field have been signally successful in weathering the storm. General Motors Acceptance Corp.—the largest company financing instalment selling—was one of the most profitable branches of the G.M. family in 1931. Its decline of 18.2% in volume of business compares very favorably with the average corporate showing. Its earnings must make some banks envious. Volume, wholesale and retail, for 1931 was $745,039,762; retail accounts purchased totaled 1,161,912.

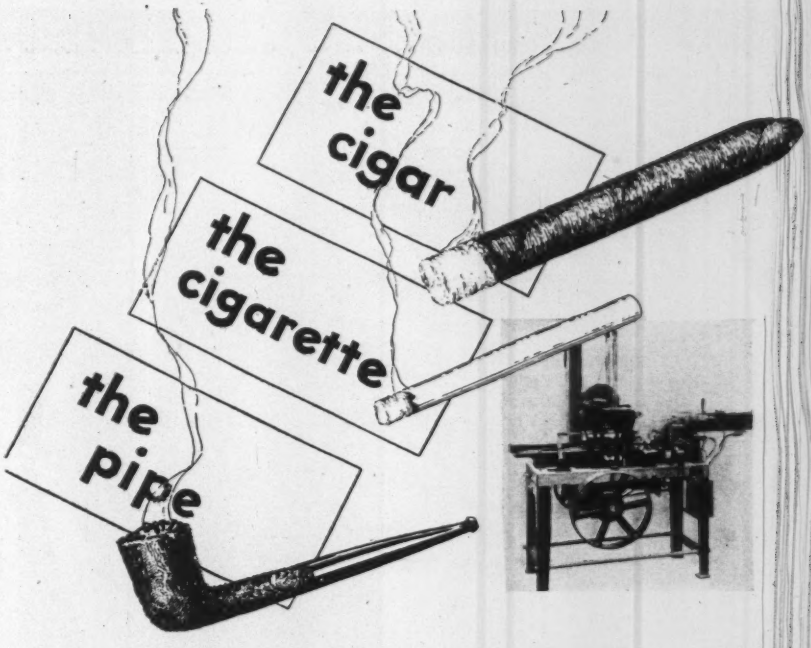
Household Finance Corp. has reported a steady growth in volume as well as increased earnings. More than 540,000 persons applied for its loans during 1931. It granted 302,871 for a total of $73,310,170.

Commercial Investment Trust showed a 1931 volume of $374,093,766 which represents a decline of only about 4%. Automobile paper more than 60 days overdue is down to less than 0.5% of total, about where it was at the end of 1925 after a slight rise during the intervening years.

### In a Liquid Condition

The larger financing units are in a very liquid condition. Continuous liquidation of their paper and the gradual decline in new business has resulted in their accumulating large amounts of cash. Some of this has been used to repurchase or call in for redemption substantial quantities of their debentures at profitable prices. This has helped them to preserve a relatively satisfactory level of earnings on junior securities despite the revenue shrinkage.

During the past 2 years only 2 small finance companies have been known to have failed—about 0.002% of the total.


# . . . all have been made *more enjoyable* by modern wrapping methods . . .

## *an example of how a wrapping improvement can affect an entire industry*

A FUNDAMENTAL packaging improvement can affect an entire industry—and those who are first to adopt such an improvement reap the greatest benefit from it.

Consider, for example, a recent development in the tobacco industry—Cellophane wrapping. Few other improvements have contributed so much to the enjoyment of smoking. Whether you smoke cigars, cigarettes, or pipe tobacco, the modern tight-seal, moisture-proof wrapper enables you to enjoy tobacco at its best—fresh, mellow, completely satisfying.

The Package Machinery Company invented the first Cellophane cigar-wrapping machine; the first "tight-seal" wrapping machine for cigarette packages (the Humidor Pack); and the first machine for wrapping smoking tobacco in a similar manner. Today, throughout the entire tobacco industry, Package Machinery wrapping machines are the standard.

***And in many other fields***—confectionery, soap, pharmaceuticals, food products—Package Machinery Company machines have been serving leading manufacturers ever since machines first replaced hand wrapping.

With our broad experience, we can give you valuable assistance in developing package improvements—to secure sales advantages, or to lower costs. Get in touch with us.

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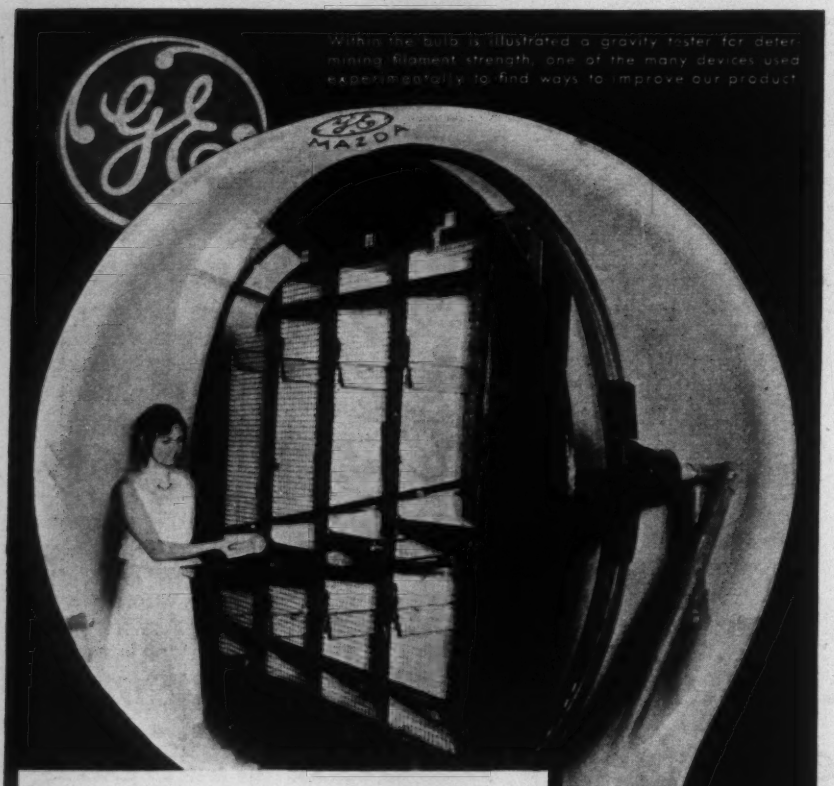
**PACKAGE MACHINERY COMPANY**
Over 200 Million Packages per day are wrapped on our Machines


Within the bulb is illustrated a gravity tester for determining filament strength, one of the many devices used experimentally to find ways to improve our product
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This is about a 200-watt MAZDA lamp, so commonly used in industry today . . .

Considering its present price . . . current cost for 1000-hour burning and the increased efficiency of the 1932 lamp over the 1921 product, the consumer now gets $3.98 more light for his money from a single lamp than he did ten years ago.

Only one thing has made possible this startling increase in the amount of light at a substantial saving in cost . . . That thing is the research and development work which has been applied to MAZDA lamps, and on which General Electric spends more than a million dollars a year.

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And remember, General Electric engineers are at your service to help you plan lighting on an efficient, economical basis. General Electric Co., Nela Park, Cleveland, Ohio.

GENERAL ELECTRIC
MAZDA LAMPS


# Wide Reading

THE FASTEST FREIGHT TRAIN. *Railway Age*, Apr. 2. The Cotton Belt's "Blue Streak" has set a pace for rapid merchandise deliveries, with a resulting increase in traffic handled.

INVESTMENT TRUSTS ON THE MEND. *World's Work*, April. How they have fared during the past 2½ years. The new stars: Floyd Bostwick Odlum, Earle Bullie, Matthew Chauncey Brush.

BANKERS AND BREAD LINES IN TOLEDO. Mauritz A. Hallgren. *Nation*, Apr. 6. What was behind Toledo's bank crashes last year and what the city is doing to help its unemployed. Banking folly during a real estate boom and reactionary rebellion which followed its exposure.

HOW TO ORGANIZE A CLEARINGHOUSE. F. F. Simmonds. *American Bankers Association Journal*, March. A program for banking cooperation, the imperative need of the moment.

ILLUSIONS ABOUT OUR WEALTH. P. P. Gourrich. *Barron's*, Mar. 28. Details about the poverty of the richest country in the world. Charts showing the lack of corporate income last year.

HOW MUCH HOUSE FOR A DOLLAR. *Fortune*, April. Revelation of how much over-charging there is in house construction, of how many possibilities there are for a "housing revolution." More of the new ideas for a housing era which may be the successor to the automobile era.

REVISING THE ANTITRUST LAWS. Melvin T. Copeland. *Harvard Business Review*, April. Important industrialists, labor leaders, statesmen, realize that conditions in world competition have changed so radically in recent years that the anti-trust laws need to be revised. Here are the reasons, the suggestions for revision.

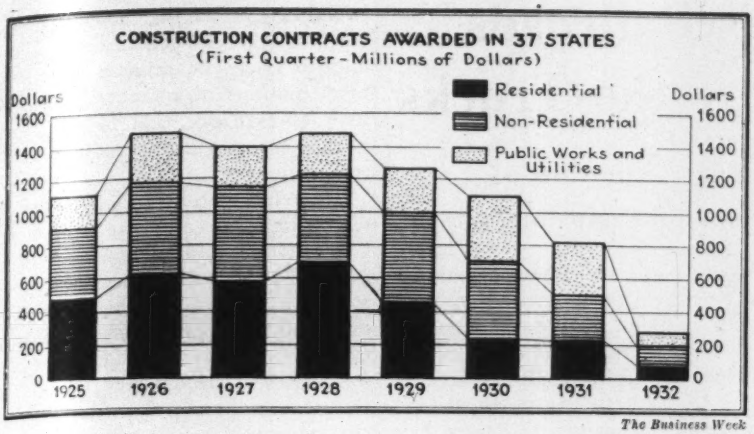
RUSSIA'S FABRIC DUMPING MAY AFFECT WORLD MARKETS. H. Alexander Robiczek and René Leonhardt. *Textile World*, Apr. 2. Facts concerning Soviet absorption of textile machinery, cloth output, potential place in world industry. Suggests potential threat to British and Japanese foreign markets.

TRANSATLANTIC DERBY. *World's Work*, March. A few facts to explain the uneconomic growth of world shipping. Germany has succeeded on borrowed money. Britain and the U. S. are too poor to go ahead now. The race for superliners is potentially the race for marine assets in time of war. Greater than 800-foot length has proved uneconomic for merchant ships.

## BOOKS

A PRIMER OF MONEY. Donald B. Woodward and Marc A. Rose. Whittlesley House, 261 pp., $2. Simple interpretation of what you have always wanted to know (what you failed to learn and became hesitant to ask) about money. Told with *The Business Week's* brevity of style by its Editor and Financial Editor.

WORKING FOR THE SOVIETS. Walter A. Rukeyser. Covici-Friede, 286 pp., $3. The Soviets are tremendous wasters of time, money, labor but they get things done and learn how as they do. Mr. Rukeyser helped them build their giant asbestos industry, tells what many an American wants to know about living conditions in Russia.




*The Business Week*

# Public Building Leads the Way, But It's Down Instead of Out

THE construction industry has hit bottom with a depressing bump. The accompanying chart vividly portrays what has happened to the industry which, a year ago, was hailed as the Moses to lead us out of depression.

First-quarter construction contracts awarded in 37 states, as counted by the F. W. Dodge Corp., totaled $286 millions, 66% below first-quarter awards of a year ago, 74% below those of 1930, 81% below those of the peak years of 1926 and 1928.

### About Evenly Divided

The drastic decline was about evenly divided among the 3 major construction groups. Public works and utilities, which were supposed to take the brunt of the depression battle, took the greatest beating; contracts totaled only $82 millions for the quarter, 75% below 1931, 79% below 1929. Next hardest hit was residential construction with total awards of $85 millions, 64% below 1931, 65% below 1930, 88% below 1928, the banner home-building year. Non-residential construction awards, which include public and quasi-public buildings, totaled $119 millions for the quarter, 56% below 1931, 75% below 1930.

Because there has been a constant decline in construction costs during recent years, the drop in value of contracts awarded has been somewhat greater than that in physical volume of construction. Adjusting for this factor, however, makes the results but little more encouraging. On the basis of the *Engineering News-Record* cost of construction index for first quarters, physical volume of contracts awarded in 1932 was 58% below that of 1931, 66% below 1930, 70% below 1929.

Of course, the fact that the first quarter is normally the low point of the year must be taken into consideration and there is some encouragement in the news that in nearly all detail items of the composite figures there are indications of increasing activity from January through March. At least, seasonal trends are being maintained even if on a reduced scale. But the industry is so far down that unusually strenuous efforts will be needed to bring it anywhere near its normal summertime position.

Residential contracts declined in February from January, then rose to a March total somewhat above that of January. Normally this increase should continue through April, but in 1931, the decline which has just now been halted got under way in March. Non-residential contracts have been climbing since their January low. Last year, after rising from January to March, they remained on a fairly even keel between $100 and $110 millions a month through September. Public works and utility contracts dropped sharply from December to January and have shown only negligible increases since then. Obviously, the taxpayers' rebellion against public expenditures has been effective.

Sharpest increase in contracts awarded during the quarter was in educational buildings, which jumped from $4 millions in January to nearly $11 millions in February. Almost as sharp a decrease affected social and recreational building contracts, which dropped from $5 millions to less than $2 millions during the same period.

## Mr. Cord Dives Out Of the Dog-Fight

E. L. CORD, two-fisted fighter of the automobile industry, is out of the running as an independent operator of air lines and his former competitors are indulging in deep, refreshing breaths of relief. Aviation Corp. announces the acquisition of Mr. Cord's Century lines through a stock transfer. Mr. Cord becomes a director of Aviation Corp. All Century service except that between Los Angeles and San Francisco via Sacramento will be discontinued. There is no provision for Century personnel.

There was dancing in the corridors of the "Big Four" when they learned that Century had been brought into the fold. The quartet includes United Airlines, Transcontinental & Western Air, Eastern Air Transport, and American Airways which is the operating subsidiary of Aviation Corp. These companies had been zooming along with nice mail contracts and comfortable fares. In March last year Cord started his Century lines and trouble.

### An Active Competitor

After inaugurating his first service between St. Louis and Chicago he invaded the Pacific Coast. The Cord cry was lower rates and frequent service. He paralleled existing lines (especially those of American Airways) and cut passenger fares. Century encountered the hostility of organized pilots by cutting pay to $3 per hour for day flying, $5 per hour for night flying, with a $150 monthly minimum. (Previous rate, $350 a month flat.) Cord made other operators nervous by going to Washington with an offer to carry mail at about half the existing rates.

But trouble was on his trail. Arizona refused Century a certificate of convenience and necessity which cut off his Pacific lines from those of the Middle West, wrecked his plans for a coast-to-coast service. There were accidents. The quarrel with the pilots was unpopular with the public and there were hints that rivals capitalized it. Century lost business.

Mr. Cord entered aviation via manufacturing. His air products (Stinson planes and Lycoming motors) are not affected by the merger. While he retires from the picture, temporarily at least, some of his ideas retain their vitality. He contended that aviation should be brought down to a commonplace mode of travel through the medium of lower rates and more frequent schedules.

# Like Ours, Britain's Railroads Are Hard-Pressed by the Trucks

## But the remedy they propose—strict limitation of highway competition—is a German prescription

EUROPEAN NEWS BUREAU — Railroad-truck rivalry in Great Britain is coming to a head. As in the United States, British railroads are allowed to earn up to a "standard revenue." The trouble now is that they come a little less near approaching that fixed maximum each year and are blaming cut-throat truck competition.

The chiefs of the country's 4 great railway groups recently called on the Minister of Transport and, in the course of the conversation, aired their grievances. The result was the naming of a committee of 9 to gather the statistics on the railroads' declining revenue to present at a conference that is likely to be called in July to consider the whole question of railroad and truck transport.

### Prefer German Solution

There are similarities to the situations existing in the United States and in Germany. The British are inclined to look to Germany's solution as the most adaptable to their problem (*BW—Nov4'31*). They plan to ask Parliament to limit the distance that trucks can haul goods, the speed at which they can travel, and to set up a fixed schedule of rates. These restrictions, they claim, would enable the railroads to charge rates over their profitable lines which would cover expenses on their unprofitable sections. Since railroads are looked upon as public utilities and are, therefore, bound to maintain their service over certain unprofitable lines, they feel they have the right to demand government protection.

They cite a lot of grievances not unlike those in any other country. In the 9 years up to 1929 (last year for which data is available) the country spent £490 millions on roads, of which only £369 millions were collected from local taxes. During the same period, automobile users paid £14 millions in gasoline taxes, of which nothing went for the upkeep of the roads.

The Railways Act of 1921—which molded Britain's railways into the present 4 groups—determined on a "standard revenue" which the roads might earn. They have never earned what it allows them. The London, Midland & Scottish Ry., for example, shows a total deficiency from standard revenue of £22 millions, and the London & North Eastern one of £14 millions.

Railway stocks have always been in trustee classes until the recent failures to make the dividends, and there is a unanimous opinion that it would be bad for the nation, quite apart from the unfortunate stockholders, if they were allowed to drift into complete bankruptcy.

In London there is an important section of public opinion which would like to see the country adopt the same system for its national transport systems that London adopted some time ago for municipal transport. The London Traffic Pool set up a monopoly on all of the services operating in London and operates them as a single unit for the greatest good. It is possible that the present difficulties in the nation's major transport units may lead to a similar semi-nationalization of the entire British transport system.

## Sterling Has Not Yet Met Its Economic Test

EUROPEAN NEWS BUREAU—The growing strength of sterling has given rise to some long-term optimism that the pound may before long become the key-unit for other off-gold currencies, will to that extent be restored to its old, proud position of an international constant of exchange, and to that extent become again an instrument of financial competition.

Three factors contributed to sterling's recent improvement. The first was the liquidation of gold holdings in the British Isles as well as in India. The gold sovereign sells at a premium of 35% over paper. Paper prices have, however, risen only 7% since the gold standard was abandoned. The public is consequently cashing in on the purchasing power premium of its gold, is selling not only sovereigns but jewelry and any scraps of precious metal with which it can dispense.

### Tariff Has Helped

The improvement in the British trade balance following imposition of emergency duties and expected further improvement following the imposition of the 10% general tariff on Mar. 1 has been a further factor aiding in the strengthened position of the pound.

The drastic budgetary reforms which have made Great Britain the sole country in Europe to escape a deficit this year also has had a stimulating effect on sterling.

But the long view is not so favorable as British optimism is inclined to foresee. There are 3 factors which may be expected to delay sterling stabilization:

(1) British prices will probably rise and possibly rise sharply as a result not only of tariffs but of the delayed-action effects usually attending initial currency depreciation. This delayed action has been accentuated in the case of England by coincidental depreciation of Scandi-

Central News

PACKAGE PROPAGANDA—*Sweden has shipped 11,023 lbs. to this country. Every package argues, "We are sending this butter to balance, if possible, the large American exports to Sweden. American automobiles and Scandinavian butter are both world famous, but we cannot continue to purchase your automobiles unless you purchase our merchandise."*

navian, Egyptian, Indian, and Australian currencies, all important sources of British food and raw-material supply.

(2) Any rise in prices will not only check the present liquidation of gold holdings, the most immediate factor in present sterling strength, but will check exports, thus reducing if not nullifying the effect on the trade balance of the tariff-check to imports.

(3) Similarly, any rise in domestic prices will weaken domestic confidence in sterling, so far unshaken, set up a new flight of capital from the country and from currency within the country.

### It Will Take Time

All other factors aside, as for instance the effect on Great Britain of a probable transfer moratorium in Germany, it is clear that sterling has not yet met its economic test; cannot meet that test before Britain's new tariff policy and the integration of that policy with the Dominions has been determined; has been given time to establish the many corollary consequences of so fundamental a change. There are many British observers who predict trade paralysis, not trade revival, as the ultimate consequence of protectionism.

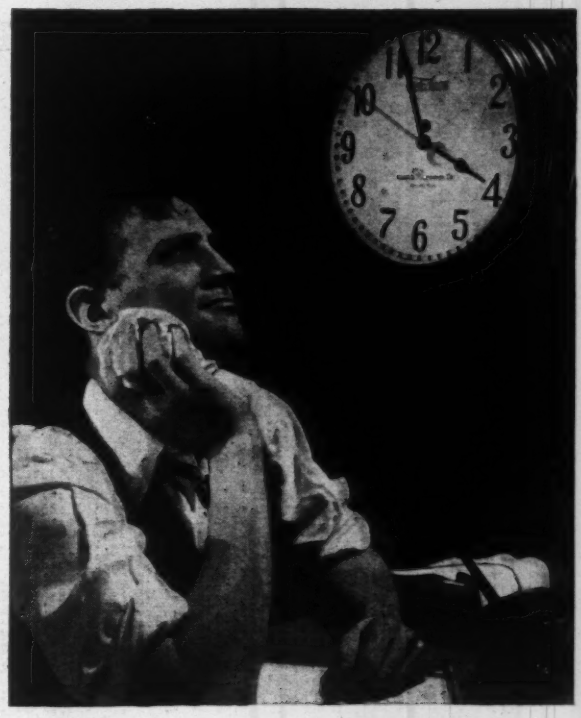
Sterling is very largely adrift, can be tossed up and down by circumstances beyond the power of the Bank of England to control. For the moment it is being tossed up. Opportunistic bear speculation has become bull. Immediately, the greatest danger to sterling is, in fact, a too rapid rise. Fundamentally, it remains for many factors still to determine the intrinsic economic worth of Britain's currency. It may be foreseen that this will be found on no one immediately permanent level, but at a variable sequence of levels until such time when the Bank of England feels it has sterling sufficiently in control to peg its rate again to gold.

## Yugoslavia Restricts American Movies

EUROPEAN NEWS BUREAU—Belgrade has made a new ruling on motion picture imports which affects Americans.

American participation of 170 films out of an annual total of 250 is affected by a law of Mar. 6 making obligatory domestic production of 70 meters for every 1000 meters imported. Beyond this rationed quota, importers must pay a fine of $1.80 a meter.

On the basis of last year's volume of imports the United States would be forced to pay a fine of $100,000, much more than the market is worth.

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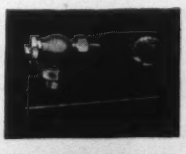

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If you want to find the centers of American business and industry, however, it's not so easy to mark the spot. For business centers in specific companies and individuals. Aim at them in the mass by any rule-of-thumb and you are apt to hit a graveyard. And dead men yield no sales.

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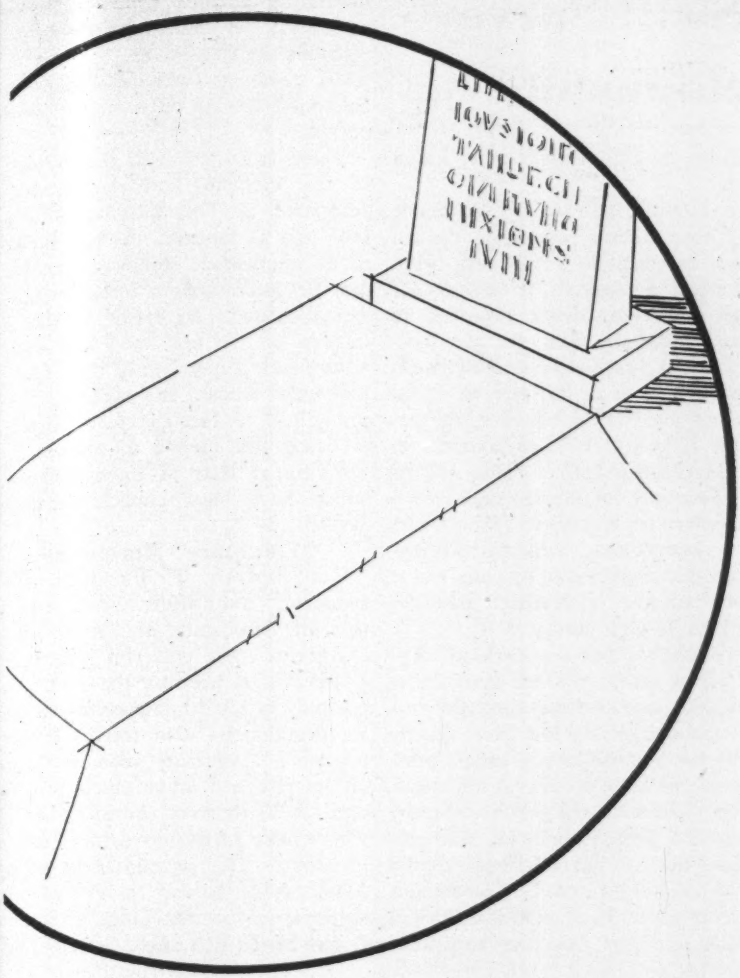

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Textile World

Factory and Industrial Management
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Power

The Business Week
Management Methods

# Business Abroad—Swift Survey Of the Week's Developments

**Industry and finance swapped positions this week: industry showed signs of recovering; finance turned pessimistic. . . . Unfavorable factors: worse-than-expected prospects for Kreuger & Toll, Germany's progress toward a transfer moratorium, widespread uncertainty that plans for Danubian rehabilitation can overcome political obstacles in time to prevent economic collapse. . . . Faint French spring pickup continues. . . . British tone is satisfactory. . . . Italian business is stationary. . . . German industrial contraction continues discouragingly. . . . The Far East is mending economically but not politically.**

## Europe

EUROPEAN NEWS BUREAU (*Cable*)—Business, moribund since the beginning of the year, is showing the first signs of slight seasonal betterment, but conversely, financial conditions, which until recently have been relatively optimistic, have turned unfavorable.

Unemployment is stationary in some countries and has begun a seasonal decline in others. More frequent, if still sporadic, reports of industrial pickups are evident, though they are still chiefly confined to the textile group.

Commodities have steadied at new lower levels, except for the outstanding but probably transient weakness of tin which is admittedly due to miscarriage of speculative Continental engagements. The inherent position of tin is not unfavorable and the London pool is strongly holding stocks. A further production cut on May 1 is most likely.

### Exchange Market

Except for the sharp oscillations of sterling and dollars, exchanges show a steady shrinkage. India gold shipments even at the higher value of sterling continue. Quarterly settlements caused no strain on money markets and they have been followed by definite relaxation in Germany.

Notwithstanding these somewhat better trends, general financial sentiment is more unsettled. There are many causes, the most notable being renewed uneasiness over conditions in the United States, greater uncertainty over the possible consequences of the Kreuger affair, and increasing concern over the early probability of a German transfer moratorium.

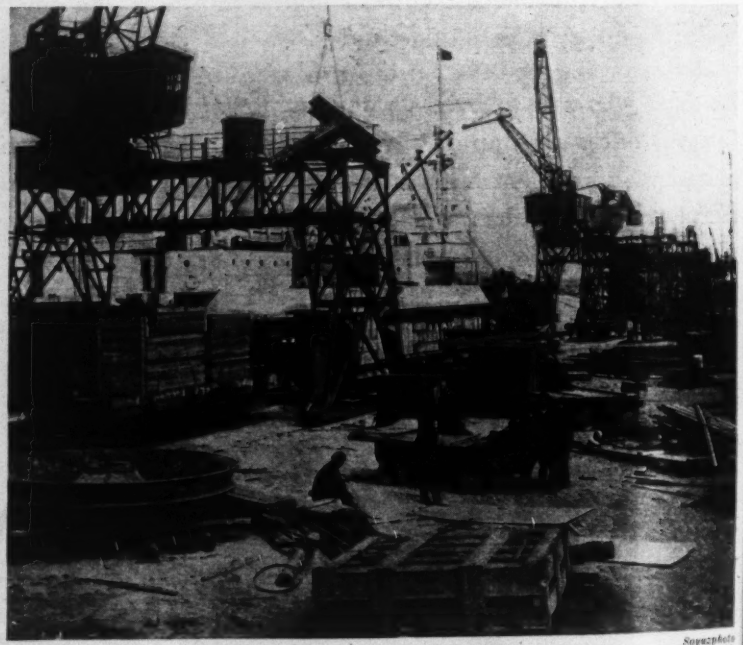
The German ministry of economic affairs has ordered exchange control through its offices to permit only 15% semi-annual repayments at maturity of foreign long-term debts advanced to German industries and private businesses (page 9). In the case of banks the settlement is at the rate of 25%. Even such repayments, however, are permissible only into blocked accounts in specified German banks. They can be withdrawn only for reinvestment in domestic German securities. The order allows exceptional individual repayments, determinable case by case, and it notably excepts altogether publicly-subscribed foreign bonds.

Herewith, without negotiations, without creditor assent, without open declaration of a moratorium, a category of long-term obligations has been quietly placed by administrative order practically on the same footing as the standstill on short-term obligations whereby interest and amortization are still permissible, but all but fractional capital repayments are suspended. The amount of capital generally affected is estimated at $600 millions but the maturities specifically affected in 1932 are not yet known. A contemporary order also prohibits the transfer of "excessive" interest payments whereby excessive is undefined though it is understood to be 7%.

These measures mark the beginning of the German transfer moratorium forecasted in *The Business Week* as long ago as January. As yet, they are of no momentous significance but they may be intensified in successive stages as necessitated. By drastic reduction of imports on the one hand and, on the other hand, suspension of those foreign payments whose suspension is least prejudicial to foreign credit, Germany is doing her utmost to maintain the servicing at least of those obligations which have been publicly subscribed abroad.

### "Voluntary" Moratorium

*The Business Week's* Berlin correspondent, meanwhile, has confirmed that the Association of German Industrialists, a most powerful business organization, is pressing the government not only to restrict imports but to initiate negotiations with foreign creditors toward a "voluntary moratorium" on all interest and amortization payments until trade recovery provides Germany with a more adequate volume of foreign exchange. The announcement of the March trade balance is awaited with suspense as the first index of how far British tariffs will affect Germany's for-



Sovuzphoto

PORT OF RUSSIA—*Leningrad is the Soviet's principal port, handles much of its trade. A mild winter kept the port open this year*

eign earning power under prevailing trade conditions. If the balance shows only a small deterioration from the January and February levels, it would bring some return of confidence, but if it shows material deterioration it will spell the practical certainty of suspension of nearly all payments.

The preliminary Price, Waterhouse report on the Kreuger & Toll accounts confirms the suspected great irregularities in bookkeeping both of Kreuger & Toll and associated companies. It states that the 1930 published balance was a most inaccurate presentation. *The Business Week's* correspondent in Stockholm reports $20 millions are untraceable and it is believed locally that Kreuger & Toll shares and debentures are valueless, but it is expected that the Swedish Match and Ericsson shares are viable. The greatest uncertainty continues to prevail. Meanwhile, the Swedish Parliament has approved measures to support Skandinaviskabank.

The international pipe cartel, which includes the United States in its membership, has been renewed to 1935. Simultaneously the Iraq Petroleum Co. has placed with the cartel an order for $12 millions, for 150,000 tons of pipe, thus marking the inception of the construction of a pipe line connecting this hitherto unexploited field, where the United States has a quarter interest, with the Mediterranean.

## Germany

**German industry is less active. . . . Money easier. . . . Transfer moratorium soon. . . . General conditions unfavorable.**

BERLIN (*Cable*)—The progress of disintegration which is evident in most countries on the Continent is reflected in Germany. Domestic industrial production has contracted further and the prospect of declining foreign demand is most discouraging.

The Boerse is depressed. Money is easier following quarter-end payments. The private discount rate is down ½%.

Industry is urging the government to open negotiations with foreign long-term creditors to set up a standstill on the long-term obligations similar to that arranged by the Wiggin committee for short-term interests last December (page 9). Germany is inevitably approaching a complete transfer moratorium. How soon it may come may well be surmised after the March trade returns are known.

There were 2 cheering developments during the week. Industry received a share of the big pipe order from the Iraq Petroleum Co. which is now going ahead with plans to pipe the famed Mosul oil to the Mediterranean. Exporters saw the first peace ray in the almost universal tariff war in the announcement that Germany and Poland had reached a new trade agreement restoring the foreign trade of the 2 countries to the December status quo.

## Great Britain

**Tone still good but business is slack following the pre-budget lull. . . . Domestic factors are cheerful; foreign developments worrisome. . . . London is skeptical of French aims in Danube region.**

LONDON (*Cable*)—The business tone in Britain is still good but the pre-budget lull is bound to affect volume during the first weeks of April.

Domestic factors support recent optimism. The London Stock Exchange is confident and buoyant, and there is still a deal of optimism over the budget surplus. A further change in the bank rate is anticipated at an early date. The present level of 3½% is at least 1% too high for the market relationship.

The vagaries of sterling continue to occupy the business mind (page 28). Profit taking and slackening in the flight from the dollar have sporadically checked the rise of the pound, but the upward trend is expected to continue.

**London Watches Washington**

Commodities have reacted to sterling, the depreciation being a serious matter for shippers and merchants, with fears that dealers might cancel orders. Washington is regarded as the key, and London is as keenly interested in the U. S. budget as America herself. A solution to the Congress deadlock is expected to result in a relapse in sterling without further official intervention.

Foreign factors within the week have created widespread uncertainty. Reactions to the highly unfavorable reports from Stockholm concerning the status of the Kreuger & Toll interests are being felt, and Swedish issues have suffered a further slump.

London opinion on the prospects for an effective Danubian economic union can be summarized briefly. The first step toward a restoration of Central European health must be the separation of economic and political factors. The

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economic position of the postwar states into which the Austro-Hungarian empire was split is now realized to be impossible (page 8). But if any new orientation means, as Tardieu's plan seemed originally to suggest, that Austria-Hungary is to be subordinated to the Little Entente under French domination it will fail to provide lasting security.

The attempt to break down the barriers that divide the Central European states into a number of units unable to attain self-sufficiency must be more than an attempt to negotiate tariff preferences. It is not only tariffs, but exchange and other restrictions, and budget economies forced to the point of increased unemployment and diminished revenue, which have caused the mischief. The vital need, as London sees it, is to end the impossible endeavors to maintain a nominal adherence to the gold standard, leaving customs and other adjustments to follow in order.

# Italy

**Business is stationary. . . . Credit is not good. . . . Industry has slightly improved. . . . Government floats $50-million bond issue.**

MILAN (*Cable*)—Economic conditions remain virtually stationary in Italy. Credit conditions are recently less favorable; bourses are soft. Industry in recent weeks, however, is showing encouraging resistance to depression.

Reduction of the Italian bank rate from 7% to 6% was a surprise to banking circles, first because lira exchange was still weak, second because the exchange reserves of the national bank continued to decline. The reason for the reduction is fiscal rather than monetary.

On Nov. 15, next, $48 millions of 4½% Treasury bonds reach maturity. The government is unable to meet this maturity and has announced a $50-million issue of new, 9-year 5% Treasury bonds to be issued at 97. Subscriptions will be open April 7-21. Another issue may follow to meet the current deficit which by February, 1932, already totaled over $100 millions.

It will be recalled that, last May, a highly successful conversion operation was concluded to meet a $201-million November maturity. Subscriptions to the new issue, which carried attractive lottery features, totaled $370 millions of which the government, not wishing to increase the public debt unduly, accepted only $265 millions. The total internal debt stood at $4,844 millions last February, representing a 10% increase in 4 years. The foreign debt is represented only by the Morgan $100-million loan of 1925, since reduced to $89.3 millions.

# France

**Feeble spring pickup continues. . . . Unemployment slightly down; textile and metallurgical industries more active; rail receipts up. . . . American appeal to Washington for aid in combating unfair import quotas startles French business and government. . . . General shakeup likely in forthcoming elections.**

PARIS (*Cable*)—Americans in France and at home are primarily interested this week in the appeal which the American Chamber of Commerce in Paris has made to President Hoover to secure more equitable treatment for American imports under the French quota system. The move was not taken until both business and diplomatic leaders in Paris had exerted every known influence at hand to gain fairer consideration. French business and government officials are thoroughly startled by the appeal to Washington, but no effects have yet been felt. The latest quotas, and there seems to be no end to them, and the renewals of the first quotas instituted early this year are no less discriminatory.

The new import tax of 4% on semi-manufactured, and 6% on manufactured products, and 16% on luxuries (not including automobiles) became effective Apr. 2 and covers shipments already afloat.

### Belated Spring Revival

Last week's feeble signs of a belated spring revival continued this week. There was another slight decline in unemployment, and some fresh improvement in the textile and metallurgical industries. Construction showed slight improvement; rail receipts were up.

Business, however, is showing distinct anxiety as to the future. It is now taken for granted that the present majority in the government will be swept away at the forthcoming elections, set now for May 1, and that a Socialist-Liberal coalition will dominate the future Chamber. The Treasury is well nigh empty, the budget situation is serious. According to authoritative reports, the 1930-31 budget will show a final deficit of $80 millions, the current 1931-32 budget one of $100 to $120 millions, and the 1932 budget bill has here and now an actual deficit of at least $120 millions. By 1933 it seems France inevitably will face a national deficit of at least $600 millions.

### Internal Loans

The Chamber Finance Committee approved recently a bill from the Finance Ministry authorizing that department to issue $139 millions of Treasury bonds, the proceeds of which will be used to finance the French public works plan. This plan, it will be remembered, was originally conceived by Tardieu in 1930 and the Treasury was supposed to advance the first $200 millions needed for getting it started. Now that the Treasury is nearly empty, recourse is made to Treasury bonds issues. This is the government's first formal request for Treasury bonds, and as budget deficits—past, present, and future—develop, the government will have to create still larger amounts of bonds.

For the third time in 2 weeks, the government has further extended by another 5%, the proportion of foreign wheat authorized to be used in domestic flour-making, bringing it up to 45%.

It is stated that the proportion will gradually be increased up to 70% and that the government is urging importers to get most of their requirements from Hungary.

### Japan Not Favored

The "exchange compensation surtax" of 15% ad valorem has been extended to apply to Japan, despite the latter's protests, due to the depreciation of the yen. This would tend to deny the opinion that Franco-Japanese relations are extremely close. France, it is true, applied a similar measure to Britain after the latter went off the gold standard, but quite a large number of important products have subsequently been exempted from the surtax which accordingly remains only in name. Such a procedure is likely with Japan.

# Latin America

**Business is dull. . . . Argentina plans $125-million internal loan. . . . Brazil and Colombia are reducing imports. . . . Chile is bargaining for Mexican sugar.**

BUSINESS in Latin America is dull and the outlook gloomy.

Argentina's main interest is in the bill which has been presented to Congress providing for the flotation of a $125-million internal loan to meet back salaries of government officials, to re-

lieve the cash shortage, and to meet immediate government financial requirements. Bankers are skeptical over the absorption of so large an issue under present conditions.

Brazil is quiet again. Rio de Janeiro reports that the drastic economy program adopted last year succeeded in reducing imports of foodstuffs by 40%.

In Santiago, it is rumored that Chile is bargaining with Mexico for an exchange of Chilean nitrates, wheat, and wool for Mexican sugar. The price of sugar rose nearly 100% in Chile last week when it became known that the country's stocks are virtually depleted. At the same time, rumors from the Soviet trading office in Montevideo indicated that Moscow might enter the Chilean copper market again this year. Russia bought 3,000 tons of Chilean copper last year.

Colombian business continues dull and collections are almost impossible. Owing to the customs duties under the various Presidential decrees, imports of many articles have ceased almost entirely. Only hand-to-mouth buying of a few items continues.

## Far East

**Business in China recovering. . . . Shanghai works back to normal. . . . Japanese boycott eased in North, still vigorous in Central and South China. . . . Japan unable to balance budget. . . . Manchuria on the mend.**

ECONOMICALLY the Far East is on the mend. There are still many political uncertainties which will occasionally hamper business, but they are not likely to disrupt it seriously unless they take a sudden and unexpected turn for the worse.

Due to the continued cessation of hostilities throughout March, the financial situation in trading centers throughout China is beginning to show considerable improvement.

Shanghai trade has improved, and congestion at the port is gradually being cleared. Practically all goods now arriving are being cleared through customs, and much cargo previously stored in bond is being taken up. Cargo which was diverted during hostilities is now being brought to Shanghai but export trade is very slack. Building activities are going forward at about 80% of normal on projects on which construction had commenced prior to the Sino-Japanese conflict, but no new projects have started. Except for those located in the devastated areas, the majority of the Chinese retail outlets have reopened, although native banks are not yet functioning on a normal basis and trade will eventually suffer from uncertainty because of the prolonged Sino-Japanese negotiations.

The Shanghai stock exchange reopened on Apr. 1, but the bond exchange is expected to remain closed until the diplomatic negotiations with Japan are further advanced. Shanghai industrial plants, especially textile, flour and cigarette factories, are resuming operations, but no Japanese-owned mills have as yet reopened.

### Chinese Boycott Weakens

Boycott activities appear to be lessening in North China but are still vigorously pursued in Central and South China. Japanese shipping is being resumed, and the Japanese-owned wharves have reopened.

Business is progressing in Japan though not without some difficulties. The government is hard pressed financially. The 1932 budget is not balanced and the deficit is to be met with fresh bond issues. This lack of funds is also responsible for some delay to be expected in inaugurating extensive plans for industrialization in Japan proper. As long as 2 years ago, Mr. Yamamoto, former head of the South Manchuria Railway, outlined a 5-Year Plan for Japan which he called "Japan's new economic policy." It is this plan which the Seiyukai party, now in power, was expected to inaugurate soon after it came into office. The required initial expenditures, however, are more than Tokyo's present strained budget can support, but it is likely that plans this year will be shaped toward inauguration of the scheme.

### Large Cotton Imports

Foreign trade for the last 10 days of March continued to be highly unfavorable though the Bank of Japan points out that April is likely to mark the end of the long winter trend and that exports are likely to increase. Cotton imports also are expected to decline. Imports in the first 3 months of this year were more than 45% of a normal year's takings.

The Diet is scheduled to meet in May. At this session, it is entirely possible that tariff increases will be voted at least to cover the depreciation in the value of the yen since it went off gold.

There seems to be no end of guerrilla warfare in Manchuria but business is recovering markedly. Immigrants are already coming in from the South and local trade is getting back into its stride.


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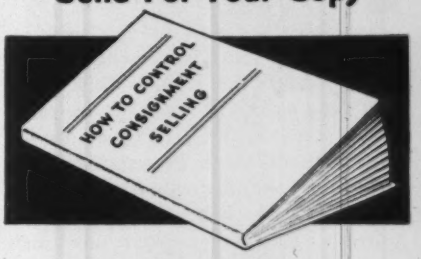

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# The Figures of the Week And What They Mean

**Very little encouragement can be gleaned from the records this week. . . . Stagnation is apparent in practically every field. . . . The motor industry stands alone in attempting to throw off the disinclination of the public to buy, but as yet the steel industry has experienced no rush of orders. . . . Construction activity ends the first quarter at a level far below expectations, with public works awards the greatest disappointment. . . . Carloadings turned downward after reaching the year's peak. . . . Check payments again moved into low ground. . . . The decline in currency circulation reflects improvement in the banking situation, though some of the shrinkage may reflect poor trade activity.**

ALL eyes and hopes are fixed on the motor industry for the stimulation not only of the steel industry, but of general business activity. Even President Hoover has added his plea to the public to buy now and put men to work. At least a dozen leading automobile manufacturers have made the decision to carry on extensive sales campaigns in the next few weeks. The General Motors shows held in 55 cities and the Ford display have attracted large crowds. The astoundingly low prices announced by Ford have encouraged price reductions by competitors in the low- and medium-priced field, notably Chevrolet, Pontiac, and Hupp.

### Steel Orders Slow

As yet the steel industry has not been overwhelmed with orders from the motor centers. Ford orders on hand are estimated to total about 200,000, for which some parts have been accumulated during the past few months. Production has not reached capacity yet, nor can it be expected until later in April or May. Increased employment is reported by some parts manufacturers, but the general index for Detroit on Mar. 31 stands at 65.4 against 68.6 at the end of February.

March automobile production is estimated by the National Automobile Chamber of Commerce at 130,700 cars and trucks. This compares with 122,890 in February, a gain of more than 6%, the largest output since last September.

Activity in the steel industry at the end of the Apr. 4 week showed a further contraction, with operations somewhat under 23% of capacity. The adjusted index moved one point lower to 29% of normal. Pig iron production declined 6.2% in the daily rate from February, making output the lowest since August, 1921.

Tin plate production shows signs of improvement, since the time limit for canners is fast approaching. Structural steel bookings in the first quarter totaled 150,000 tons against 504,500 a year ago. The appearance of private work cheered the industry, but the bulk of the work is still for public account.

### Rail Prospects

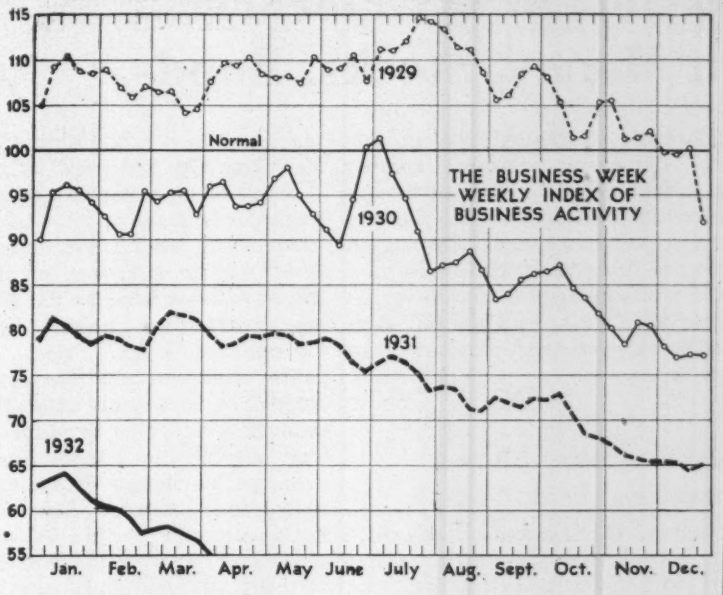
Railroad prospects remain about the same. Some rail tonnage has been placed, and a number of roads have recalled shop workers and maintenance of way employees. But equipment pur-

| THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY | Latest Week | Preceding Week | Year Ago | Five-Year Average (1927-1931) |
|---|---|---|---|---|
| | *55.0 | †56.8 | 79.7 | ..... |
| **PRODUCTION** | | | | |
| Steel Ingot Operation (% of capacity) | 23 | 24 | 52 | 80 |
| Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis) | $3,571 | $3,609 | $13,977 | $18,488 |
| Bituminous Coal (daily average, 1,000 tons) | *1,210 | 1,290 | 1,252 | 1,523 |
| Electric Power (millions K.W.H.) | 1,480 | 1,515 | 1,680 | 1,583 |
| **TRADE** | | | | |
| Total Carloadings (daily average, 1,000 cars) | 94 | 97 | 123 | 151 |
| Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars) | 62 | 63 | 85 | 103 |
| Check Payments (outside N. Y. City, millions) | $2,768 | $2,927 | $4,649 | $5,692 |
| Money in Circulation (daily average, millions) | $5,469 | $5,498 | $4,639 | $4,706 |
| **PRICES (*Average for the Week*)** | | | | |
| Wheat (No. 2, hard winter, Kansas City, bu.) | $.48 | $.47 | $.72 | $1.11 |
| Cotton (middling, New York, lb.) | $.068 | $.064 | $.104 | $.164 |
| Iron and Steel (STEEL composite, ton) | $29.81 | $29.81 | $31.67 | $35.12 |
| Copper (electrolytic, f.o.b. refinery, lb.) | $.057 | $.058 | $.093 | $.151 |
| All Commodities (Fisher's Index, 1926 = 100) | 62.9 | 63.1 | 75.3 | 90.9 |
| **FINANCE** | | | | |
| Total Federal Reserve Credit Outstanding (daily average, millions) | $1,595 | $1,599 | $977 | $1,209 |
| Total Loans and Investments, Federal Reserve reporting member banks (millions) | $19,354 | $19,403 | $22,933 | $21,977 |
| Commercial Loans, Federal Reserve reporting member banks (millions) | $6,883 | $6,917 | $8,126 | $8,667 |
| Security Loans, Federal Reserve reporting member banks (millions) | $5,328 | $5,337 | $7,256 | $7,120 |
| Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions) | $516 | $525 | $1,822 | $3,637 |
| Stock Prices (average 100 stocks, Herald-Tribune) | $86.04 | $88.95 | $132.89 | $154.55 |
| Bond Prices (Dow, Jones, average 40 bonds) | $76.74 | $79.53 | $95.90 | $96.44 |
| Interest Rates—Call Loans (daily average, renewal) | 2.5% | 2.5% | 1.5% | 4.9% |
| Interest Rates—Prime Commercial Paper (4-6 months) | 3½–3¾% | 3½–3¾% | 2½–2½% | 4.1% |
| Business Failures (Dun, number) | 610 | 628 | 549 | 491 |

*Preliminary †Revised

### The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.




chases have been small, with some large roads entirely out of the market. On Mar. 1 only 3,214 freight cars and 36 locomotives were on order compared with 8,669 freight cars and 86 locomotives a year ago.

The first quarter has come to a close with construction activity at the lowest level since 1919 (page 27). The month of March added only $112 millions to the volume of the first 2 months, a gain of 26% over February instead of the usual 50%–60%. On a daily basis, the gain is reduced to 7.4%. The adjusted index covering the period ending Mar. 26 stands at 22% of normal compared with 21% the preceding week.

Public works and utilities awards aggregated only $29.8 millions, a 5.6% gain over February, but on a daily basis equal to a 10% loss. Compared with the daily rate of last year, the loss amounts to 81%.

### Non-residential Construction

Non-residential building construction bulked the largest of the 3 groups reported by F. W. Dodge for the 37 states, having a total of over $49 millions. Without allowance for the shorter month of February, this represents a 35% gain. The daily rate is only 15% ahead of the preceding month.

Residential awards total $33 millions, a 36% gain over February, but the daily rate is 15.8% greater than the preceding month.

Coal production has been declining in the past 2 weeks, since the urgent need created by cold weather has waned. Output, however, remains above the 7 million tons a week mark. The adjusted index for the week of Mar. 26 declined to 61% of normal compared with 64% the preceding week. The February price reduction on anthracite is the first in the history of the trade, being 2 months ahead of the customary spring cut.

Electric power production declined nearly 10% since the beginning of the year which is at a rate more than twice as fast as in the past 3 years. The central industrial region is now almost 16% below a year ago. The adjusted index moved one point lower to 73% of normal.

The decline in carloadings was due chiefly to the decreased shipments of coal, though all classes but livestock registered some losses. The adjusted index based on the miscellaneous and less than carlot freight loadings lost 2 points and now stands at 54% of normal. Estimates of loadings for the second quarter made by the Regional Shippers' Advisory Boards indicate an expected decline of 13% compared with a year ago for 29 major commodities. These estimates have not been a close guide to the actual declines in total freight shipments. The first quarter estimate was given as 6.6%, while actually the decline exceeded 21%.

The 5% drop in check payments in the closing week of March which included the Easter week brought the total volume to the second lowest level of the year to date. The adjusted index declined to 60% of normal compared with 64% the preceding week.

The decline in currency circulation reflects the gradual improvement in the banking situation. Only 9 banks suspended operations in the week of Mar. 31, one in each of nine states. March closings number only 40 compared with 128 in February and 372 in January. The adjusted index of currency moved downward to 47% above normal.

Bank credit as measured by the volume of commercial loans shows no signs of expanding. Instead the volume is being constantly reduced. The adjusted index as of Mar. 30 is 7% above normal.

### Business Failures

March failures outnumber every other March on record with a total of 2,951 involving liabilities of $93,760,311. The first quarter has rolled up a total of 9,141 defaults with liabilities over $275 millions compared with 8,483 defaults and $214 millions of liabilities in the same period of 1931.

The general slackness in trade and in the stock and bond markets has dampened the slight feeling of betterment that appeared a week ago. Commodity prices have turned downward.

Copper fell below the 6¢ a pound level, without causing a rush among buyers. Tin and silver weakened, but zinc and lead were steady.

Wool, cotton, silk, as well as hogs, hides, cocoa, rubber, and sugar joined the downward slide. Coffee gained slightly. Corn fluctuated narrowly, while wheat prices generally ignored other markets and made an independent sally. Crop news of damage served as a bullish influence.

# Trends of the Markets In Money, Stocks, Bonds

**Markedly unseasonal rise in currency circulation indicated another rise in hoarding. . . . Bank credit continued to contract despite Federal Reserve policy and other Washington moves to bring about expansion. . . . Stock prices plunged to new lows. . . . Bonds were weak, with the rail averages breaking through previous resistance levels.**

## Currency Rise Shows Hoarding Again Active

RENEWED hoarding and a further decline in bank credit despite Federal Reserve open-market operations were the outstanding monetary developments of the week.

Reversing the trend in evidence since the first part of February, money in circulation rose this week to a total of $5,458 millions, compared with $5,439 millions (revised figure) last week. This is an unseasonal increase, indicating that the hoarding influences are once more at work.

An unfavorable sign also was the marked contraction in bank loans, taking place in the face of an increase in reserves which was fairly well distributed. The decrease in total member bank credit reported for last week was augmented by a further abrupt drop in New York City this week.

A continued decline in member bank credit despite Reserve open-market operations which increase reserves and thus enable further extensions of credit is a blow to hopes based on the Washington reconstruction program aimed at the expansion of bank credit.

The increase in bank reserves for this week came as a result of a slight increase in gold stocks by virtue of further imports and releases from earmarkings, an increase in Treasury currency, and continued Reserve open-market operations. The large unseasonal increase in currency circulation absorbed an appreciable part of this added supply of the credit base, but there was enough in addition to send reserves up to the highest figure since the end of January.

The Reserve operations were in the form of further purchases of government securities, though to a lesser amount than in recent weeks. Holdings of acceptances, however, continued to decline. Borrowings rose slightly in total, but since New York district debt dropped, it is evident that an even larger increase occurred outside New York.

A further decline in bankers' acceptance quotations was the only money rate change, but it denoted continued easi of money for the most conservative us The supply of bills is very poor, a dealers have not, thus far been able get an increased volume even with t numerous rate reductions.

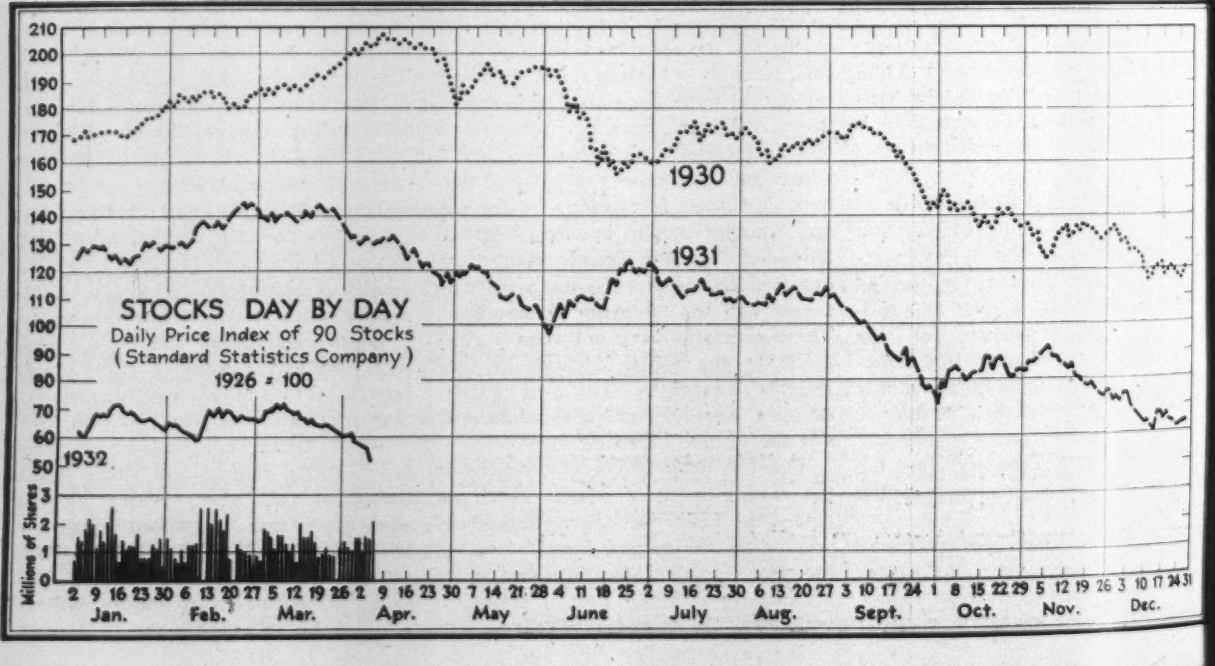
Foreign exchanges were irregul though there were signs of furth flight from the dollar. French fran again went above the gold export poi and belgas were firm. Sterling rose net, giving an indication of furth strengthening of the British position.

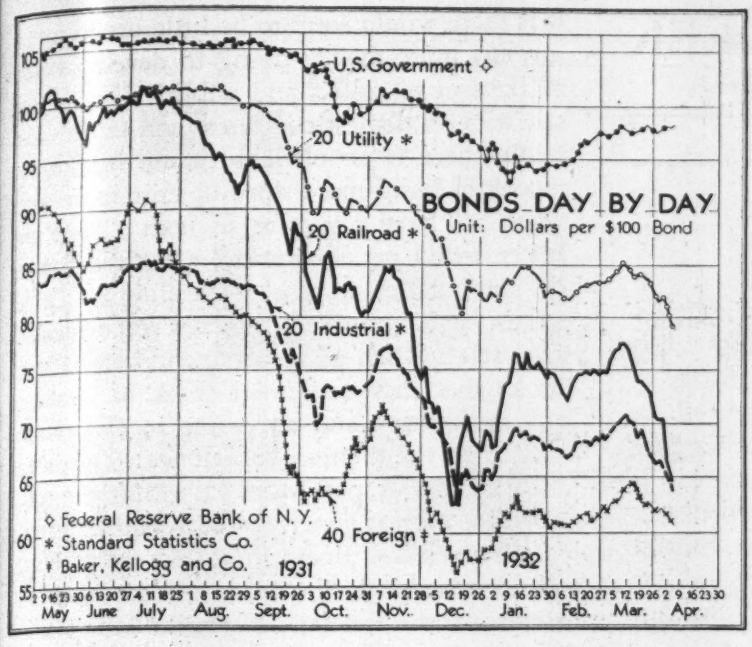
## Rails and Taxes Help Stocks to New Lows

REFLECTING uneasiness about the t bill and dejection over the lack of a evidence of spring business pickup, t stock market went further downhill th week, taking all groups into new lo territory. Leading the march we U. S. Steel and other market leaders.

The market's weakness again was fe tured by the steady decline of railro shares, largely influenced by poor tra fic statistics. Contrary to the usu trend, freight loadings for the we ended Mar. 26 registered a 4% dro from the previous week, with the tot 24% below that of a year ago. Atch son's dividend reduction also had depressing effect, as did the develo ments in the Kreuger & Toll investig tion and the low ebb of steel operation

But chiefly responsible for the ma ket's nervousness is the tax situation Washington. Although there seems






be a little more hope that the Senate will revise some of the features in the House bill objectionable to the Street, the outlook is still clouded. Secretary Mills' stand on Wednesday against specific provisions of the revenue measure, including the stock transfer tax, caused a rally, but only for a moment. Meantime, as a further indication of brokers' worry over this proposal, the price of N. Y. Stock Exchange memberships made another sharp decline early in the week, but advanced slightly a few days later.

With the industrial, railroad, and utility groups all at new all-depression bottoms, the market is watching to see where a new resistance level will develop.

Considerable attention has been attracted to the Stock Exchange report on short trading in March. The increase of over 176,000 shares in short interest shown last month is taken as a sign that speculators were not much perturbed about the new restrictive rule which went into effect Apr. 1.

## Government Bonds Again Make a Lone Stand

In unison with stocks, bond prices extended their decline further this week, the only exception again being the Treasury issues. Some see in the drop evidence of capital's flight to tax-exempt securities.

The railroad list, in which liquidation has been particularly heavy, dropped to a new bottom for the year, though still above the previous low established last December. Fresh assurances from Washington designed to put an end to receivership rumors were not enough to stem the sharp downward course of this group. Steadily poor traffic results, revealing an absence of business recovery, continue to influence the rail bonds adversely.

### Utilities Uneasy

The industrial issues also made a new low for the year, while the utility section has fallen definitely under the all-depression low of last December. Combined with unfavorable power figures, the increasing talk of probable utility realignments under present conditions has tended to make this list reactionary.

The foreign government bonds, after a dull and steady course during the past few weeks, have slid moderately downward. Outstanding in this group was the weakness of the South American issues, especially the Argentine. The German government bonds, in contrast to their previous firmer tone, reacted this week, when the preliminary Danubian conference struck a snag (page 8). British governments remained fairly steady, helped by the repayment of the final instalment on the British Treasury credit obtained from bankers here last summer. French and Belgian bonds weakened for no obvious reason. Japanese issues were easy.

Improvement in U. S. Treasury bonds was partly accounted for by the increasing probability that the $2-billion soldier bonus will not go through.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Of The Business Week, published weekly at New York, N. Y., for April 1, 1932.

State of New York } ss.
County of New York }

Before me, a Notary Public in and for the State and county aforesaid, personally appeared C. H. Thompson, who, having been duly sworn according to law, deposes and says that he is the Secretary of the McGraw-Hill Publishing Company, Inc., publishers of The Business Week, and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 411, Postal Laws and Regulations, printed on the reverse of this form, to wit:

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(My Commission expires March 30, 1933)

# THE BUSINESS WEEK

*The Journal of Business News and Interpretation*

**April 13, 1932**


# Now What?

THE President's messages to Congress emphasizing the necessity of further budget cuts should not be considered merely a matter of shrewd political strategy, but may well be taken seriously by the legislators and the business interests back home which they supposedly represent. He passed the buck of further substantial reduction in appropriations outside control of the Executive branch back to Congress, where it of course belongs in the first instance; but the responsibility does not stop there. It ultimately rests on the doorstep of every business and other organized group in the community that has been demanding economy in public expenditure.

The President implied that the kind of piecemeal paring-down which Congress had so far done would not result in any substantial budget reduction, and this is evident from the analysis of federal expenditures presented in this paper two weeks ago. No important saving is possible in starving out the bureaus and agencies exercising the general and civil functions of government through putting them on short rations determined by arbitrary percentage cuts. It is possible only by thoroughgoing reorganization of government departments as a basis for abandonment of many of their functions; by drastic reduction in military and naval appropriations; by curtailment of expenditures and liquidation of investments on behalf of agriculture, shipping, and war veterans; by suspension of further federal construction expenditures; by large-scale refunding of the public debt so as to lower interest charges. These are the things that bulk large in the federal budget, though the President politely refrained from listing them.

Cuts in all these things are perfectly possible if we really wish to reduce public expenditures. One can imagine earnest economizers arguing somewhat as follows: Our foreign trade prospects are so poor and domestic business so bad that there would seem to be little use in spending any more money trying to develop export markets or to collect and publish discouraging statistics on domestic industry and trade. Certainly there is no obvious excuse for loaning money to build more ships or raise more crops when we have a surplus of both. More and better roads are not needed when the number of automobiles in use is declining. Larger navies and improved military establishments are useless when all governments are so badly broke that they could not think of financing any more wars, and are going to disarm anyway after the Geneva conference. Of course, the veterans of past wars have no clear claim upon the care of government in all their private misfortunes and illnesses unto the third generation, and now is the time to clear away the incubus of the Veterans' Bureau and the pension system once for all. Finally, if we are going to balance the budget by stiff surtaxes, the demand for tax exempt securities should be so stimulated as to leave no excuse for paying high rates of interest on government bonds.

But, as the President points out, the only effective way to achieve such savings is for Congress to set up a joint economy committee to approach the problem in a systematic, scientific fashion, with the full support of the membership of Congress itself. And obviously, such support will be forthcoming only if business men and all other organized groups in the community stand behind their legislative representatives and demand reduction all around. They must come to Congress willing to trade curtailment or even complete cancellation of expenditures in behalf of their own interest for similar economies in expenditures in behalf of others. This would be a new, inverted kind of log-rolling, refreshing to observe, if somewhat fantastic to expect; but that is precisely what the President has put up to Congress.


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